

# FRAUDS, RIP-OFFS AND CON GAMES



by Victor Santoro

WILLIAMS & NORTON, 1010 15th St., N.W., Washington, D.C. 20004

1980-1981

FRAUDS,

RIP-OFFS

AND

CON GAMES

by Victor Santoro

Breakout Productions  
Port Townsend, Washington

Neither the author nor the publisher assumes any responsibility for the use or misuse of information contained in this book. It is sold for entertainment purposes only. Be Warned!

Frauds, Rip-Offs and Con Games

(C) 1988, 1999 by Victor Santoro

All rights reserved. No part of this book may be reproduced or stored in any form whatsoever without the prior written consent of the publisher. Reviews may quote brief passages without the written consent of the publisher as long as proper credit is given.

Published by:

Breakout Productions, Inc.  
PO Box 1643  
Port Townsend, WA 98368

ISBN 1-893626-40-7  
Library of Congress Card Catalog 99-068426

## TABLE OF CONTENTS

Introduction  
The Dirty White Collar, Part I  
The Dirty White Collar, Part II  
The Dirty White Collar, Part III: Security Swindles  
The Dirty White Collar, Part IV: Securities Theft  
So You Want To Be A Writer?  
Diploma Mills  
The "Terrible Williamsons"  
The Gypsies: Criminal Lifestyles  
Restaurant Scams  
Credit Cards: Cons and Catches  
"Financial Planners"  
Intellectual Fads: Selling Counterfeit Ideas  
Coat-Tailing  
Miscellaneous Legal And Quasi-Legal Frauds  
Fraud Salad: An Assortment of Con Games  
Where to Go for Help: Public and Private Agencies  
Soviet Consumer Rip-Offs  
The Wrap-Around Contract Rip-Off  
A Final Word

## INTRODUCTION

It seems there's no end to rip-offs and the ingenuity of the people who practice them. With every racket exposed, several new ones spring up.

Part of the reason is that the world's becoming more complicated. With each new discovery, there's another opportunity for a fraud artist to cash in by designing a scam around it. One of these days, we'll surely see someone selling fake tickets on the space shuttle.

This book skips lightly through some "short cons," but also studies certain frauds in greater depth than before, for example, frauds connected with writing. While it's helpful to know what to beware of if you're an aspiring writer, a more extensive knowledge of the frauds themselves, and why they work, is only part of the story. The chapter dealing with this will tell you not only what to avoid, but what you can do if you want to become a writer.

The subject of striking back hard and effectively at fraud artists has already been covered in depth in *The Rip Off Book, Vol. 1*, and *The Rip Off Book, Vol. 2*. In this one, the only counter-measures discussed will be those that apply to a particular fraud.

We'll also study closely an underground con-clan, the extended family known as the "Terrible Williamsons." The fascinating story of how this family was able to operate for decades before law enforcement officials even became aware of their existence shows that the people we pay to protect us often don't do it effectively because they can't even identify the threat. This points up that the first line of defense is the citizen, not the police, and that self-reliance is a far better plan than depending on our paid officials to do the job.

We'll also take a close look at white-collar crime, much of which is fraud of one sort or another. The most significant part of the study will be detailing the techniques used by white-collar criminals, to show how they often overlap legitimate business and corrupt it. There are many loopholes in our laws. These permit con artists and corrupters to get a free ride without fear of prosecution. There's a race between legislators and law enforcement officials to keep up with con artists, especially in business frauds. The con artists are always ahead.

Big business scams affect not only the large corporations, but the small citizen. He's the one who ultimately pays the bill, both in higher taxes and in higher prices, and he's the one least able to defend himself.

It's also not as simple as that. One theme running through the entire subject of frauds is that con artists are hard to apprehend and prosecute. Often, the victim doesn't even know he's been "taken." Sometimes he finds out too late, and when he calls in the authorities the con artist's long gone.

In combatting fraud, prevention's far better than cure. If you're the victim of fraud, you may find that the law can't protect you, or even get your money back, because the fraud's been carefully devised so as not to infringe the letter of the law. Any action you take after you've lost your money is simply locking the barn door after the horse has fled.

Read on! This book will give you an education, as well as provide entertainment.

## THE DIRTY WHITE COLLAR, PART I

The expression, "white-collar crime," has been with us since about 1940, when Professor Sutherland labeled one form of non-violent crime in his book of that title.

le. Although it's been identified, studied, condemned, and prosecuted in the more than four decades since then, it's still with us, and all evidence shows that it's increased.

The reason why white-collar crime is definitely a growth industry is simple: it pays! Street crime is penny-ante, despite the sensational headlines. Car theft, armed robbery, mugging, and similar low-grade enterprises can earn only a modest living for their practitioners. The big bucks are in white-collar crime.

The risks are much less, inversely proportional to the returns. A street criminal can be shot and killed by an unwilling victim or by the police. However, even the elite of the street criminals, the contract killers, risk their lives if caught. No fraud carries the death penalty, at least in this country. The white-collar criminal doesn't risk his life, and often doesn't even risk prison.

When a white-collar criminal gets caught, he's often not even indictable under a criminal statute because the nature of his acts fall under the jurisdiction of the Securities and Exchange Commission, which is not a police organization. In the occasional instances when a white-collar criminal falls afoul of the criminal code, he gets a slap on the wrist. In the noted electrical industries price-fixing case, the heaviest prison term handed out was 30 days. The fines went into tens of thousands of dollars - not much considering that the amounts stolen from the U.S. Government over the decades had been in the hundreds of millions.

While we can consider all frauds to be forms of white collar crime, in this chapter we'll confine the definition to business fraud, and concentrate on big business fraud. We'll see how even the large, "respectable" corporations in this country play fast and loose with the law.

What will become apparent as we delve deeply into this subject is that for the large corporations, fraud and deceit are the normal ways of doing business. The penalties are slight, and corporations write them off as merely another "cost of doing business." They're overhead, no more. Even though the Internal Revenue Code disallows deducting the costs of fines as business expenses, the dollars involved are so few compared to the profits that the corporations have powerful incentives for dishonesty.

What happened in the case of the Four Seasons Nursing Centers of America is illustrative of the impotence of the law to mete out suitable retribution. There were criminal indictments, on charges of defrauding the investors. The officers of the company, in collaboration with members of the accounting firm of Arthur Anderson and Company, "cooked the books" in order to inflate the apparent value of the company and induce investors to buy its stock. When the stock peaked out and started to decline, the officers sold their shares secretly and bailed out. The stockholders lost \$200 million. The president of the company, Jack L. Clark, got a piddling sentence - one year in prison, which meant parole in four months. There was no fine. Dividing the \$10 million he made in his scam into the four months prison time actually served, he got \$2.5 million a month for cell time. Considering the \$200 million lost by the investors, Clark paid retribution at the rate of one month for each \$50 million lost.<sup>1</sup>

That's a stunning disproportion between the crime and the punishment. Compare that to the stick-up artist who gets five years for a fifty-dollar robbery, even if he doesn't injure anyone. Unfortunately, this has been the pattern throughout our country's history. In the Nineteenth Century, when cattle rustlers and river pirates swung at the end of a rope, stock market pirates such as Daniel Drew and Jay Gould hardly suffered at all, though they stole more.

White-collar crime has another unsavory aspect - latent racism. Many Americans believe that minority group members are more prone to crime than whites. This is o

nly true when considering what we know as "street crime." Actually, it's not so much that minority group members are over-represented in street crime, but that they're grossly under-represented in corporate crime. In plain language, you don't find many Blacks committing embezzlement or price-fixing because there aren't many Blacks with the opportunity. Few of them or other minority types are bank presidents and corporate officers. Likewise, you don't see bank presidents hotwiring cars or sticking up gas stations. Why should they, when they can steal more money more safely with the pen or computer?

### Anatomy Of White-Collar Crime

In many instances, white-collar crimes leave no clear trace for investigators to follow, making prosecution unlikely. In one sense, white-collar criminals are protected by the "system," and the "code." Let's take a close look at both the "system" and the "code" to understand the deceit and hypocrisy of both.

Many people, especially businessmen, have dual moral standards. They commit acts in business that they would not commit in their personal lives. The reason, as usually explained, is that "business is business." In their business behavior, they steal while self-righteously disclaiming responsibility. They say that "It's the system." This is a convenient rationalization, but false logic, because if everybody's guilty, then nobody's guilty.^2

### The "Code"

The other part of it is the "code." This is all we can call it, because it truly has no name, it's a gentlemen's agreement between the upward strivers and their masters. We saw the "code" in action during the electrical price-fixing case when corporate presidents and chairmen claimed that they themselves had no knowledge of the extensive shenanigans of their subordinates. This was merely public-relations baloney, although it might convince a newspaper reader who didn't stop to think that these so-innocent officers were admitting that they weren't truly in control of their companies.

The "code" works like this: It's a tacit understanding that getting the job done is the most important objective, and that legal and moral considerations are all but irrelevant. The chief executive officer delegates power to his subordinate, and he expects them to accept what he calls the "responsibility." Sometimes he can be blunt about it. A typical way of expressing it is: "You do the job I hired you for, or I'll find someone else who will." The ambitious upward striver knows that he must do what he has to to carry out the leader's wishes.

If a salesman must pay a bribe to a buyer to make a sale, he has the funds to do so, but he must be discreet. His superior cannot know about it. He doesn't want to know about it. The salesman does not ask his superior for permission to pay a bribe. The company president wants his hands to be clean if and when the ship hits the sand.

In reality, the president knows very well what's going on. He did it himself when he was a subordinate. This is how he got to the top.

Some executives will not tolerate or practice dishonesty. These are the ones who get edged out in the race for promotions by others who are willing to cut moral and legal corners to get the job done. The honest person doesn't get any brownie points at the end of the year. No company gives out awards or bonuses for ethics. But there are definite and tangible rewards for showing a higher profit or an increase in sales.

The last part of the "code" is that the subordinate takes the risk, for it's his job to shield the head honcho in case of a prosecution. In one sense, this is t

he biggest risk of all, because it's very intangible and depends upon an unstated promise. Unlike the Mafia, in which the organization pays legal expenses for members who get caught, and takes care of their families, the corporation officially repudiates the offender. The executive who "takes a fall" is fired summarily in many cases, and money to pay his expenses may or may not be forthcoming through unofficial channels. The corporate president will often find a way to pay him off.

This isn't simply because of a sense of honor among thieves. The president can't leave the one who takes the fall totally stranded, because of the effect upon morale of other executives upon whom he depends to keep the company running. Abandoning a fallen executive will have a chilling effect upon the willingness of other executives to take the same risks. To maintain morale, the president must stand by his subordinates. Loyalty is a two-way street, although it's often neglected.

## The Other Side Of The Hill

Some people think that business crime is the inevitable result of capitalism, of the greed for corporate profits. This is an appealing viewpoint, and there's good reason to take it seriously. Unfortunately, this is blaming it on "the system." We've already seen that this is naive and false.

Good evidence that it's not "the system" comes from the other side of the world. Soviet propagandists state that their system has less crime because it eliminates the capitalist incentive to commit crime. This is as short-sighted and naive as Lenin's contention that the state would eventually wither away once it stopped repressing the people. It's Utopian philosophy, ideologically perfect, that simply doesn't work in the real and imperfect world.

Those who follow the foreign press occasionally read of the consequences of Soviet Russia's equivalent of our white-collar crime. Between 200 and 300 executives in the Soviet Union go before the firing squad each year for different types of fraud.

The reason that fraud exists in Soviet Russia is that it's not a perfect system where each produces according to his ability and each receives rewards according to his needs. There are production incentives, to encourage workers and executives to greater efforts. A factory manager who wants such a bonus may be tempted, for example, to water the orange juice. The consequences, if he gets caught, are more serious than in the United States.

In this country, the agencies combatting business frauds are relatively toothless, and the penalties prescribed by law are minimal, as we've seen. In Soviet Russia, playing such a game is a crime against the state. Instead of a mild and pussy-footing investigation by the attorney general's office or by the SEC, it's a case for State Security, currently known as the "KGB." While the secret police have lost the ferocity of the Stalin Era, they're still far more effective at rooting out "enemies of the state" than are American law-enforcement agencies. Soviet law provides stiffer penalties, too. It may seem strange to an American that business fraud can bring the death penalty, but it's standard operating procedure in Russia.

## Our Scene

We can't get any reliable information on the extent of white-collar crime behind the Iron Curtain, because their governments simply don't release crime statistics of any sort. Officially, as we've seen, the position is that a socialist society doesn't have crime, which they say is an inevitable outgrowth of capitalism.

We do have some figures on white-collar crime in this country, although some are only rough estimates. A 1980 Fortune magazine survey showed that 117 of the largest companies broke federal law since 1970. This survey, listing 1,043 firms, found that 11% of them had had either convictions or plea agreements on criminal charges. As with individuals, many were recidivists, because corporations are career criminals, too. The crimes described included antitrust charges, kickbacks and other illegal payments, illegal political contributions, tax evasion, and fraud. These were all corporate crimes, not for the benefit of renegades within the companies.

Estimates of the dollar volume involved vary widely, between \$400 million and \$40 billion a year.<sup>3</sup> One reason for these differing estimates is that information is hard to find. We can't go by convictions alone, because the definitions of corporate crime also vary, which makes estimates uncertain. A company can be a perpetrator, as in price-fixing and false advertising. It can also be a victim, as in price-fixing again, and in false invoicing. Another difficulty lies in multiple crimes. Do we consider the conviction of E.F. Hutton & Co. on 2,000 counts of mail and wire fraud as one crime scheme, or 2,000 individual crimes?<sup>4</sup>

One fact is very clear these corporate crimes are not crimes committed by have-nots, by hungry people trying to steal a loaf of bread or by marginal companies trying to stay afloat in a sea of fierce competition. They involve some of the biggest corporate names in the country, including General Dynamics, General Electric, and Rockwell International.<sup>5</sup>

The U.S. Chamber of Commerce, not surprisingly, takes the position that these incidents are merely isolated acts, according to a statement by Roger Middleton, a spokesman.<sup>6</sup> The U.S. Chamber of Commerce publication, "White Collar Crime," dated 1974, states that most businessmen are ethical, in an introduction by Arch N. Booth, then Executive Vice President. The introduction goes on to say that if this were not so, putting the handbook out would be futile. Now, after a lapse of twelve years, we can judge just how futile the handbook has been. All the evidence shows that white-collar crime has increased, not diminished, in this country.

As with street crimes, many go unreported, and of those reported, not all result in successful investigations. Of these, fewer yet result in convictions. Therefore, the "official" picture, whatever it may be, is only the tip of the iceberg. Let's look at this visible tip, and try to imagine how much more there must be under the surface.<sup>7</sup>

Some incidents in recent years are instructive because they show the extent and diversity of corporate frauds. For example, incidents of executives eager to make sales by overstating performance or understating costs were reported in the Wall Street Journal.

A civil case that came up was that of a couple of Pentron executives sued by the company for unauthorized use of company funds. There was no criminal prosecution, which means that this instance will not figure in the statistics.

An audit at Banker's Trust showed a plot by six conspirators to milk funds from inactive accounts. Again, this is from the Wall Street Journal.

An incident of "cooking the books" showed up at Chromalloy American Corporation. An "error" in the statements inflated earnings by \$15.2 million. This resulted in a class action suit, not a criminal prosecution.

Saxon Industries, Inc., had falsified records. These were spurious inventories rated at \$75 million, which were generated by computer records falsification after the legitimate inventory. This led to a prosecution.

Penn Square Bank of Oklahoma City seemed to have been the victim of frauds, involving kickbacks, wire fraud, faked books, and other means. The Department of Justice received 30 related cases for investigation, according to the New York Times.

A Raytheon officer was accused of accepting bribes to the tune of \$1 million. This involved a freight forwarder and the bribes were allegedly added to the shipping costs. Again, the source is the Wall Street Journal.

The SEC instituted an "administrative proceeding" against Ronson Corporation. This is typical of the slap on the wrist often given when the big boys are caught. The executives involved will never go to prison. This specific case involved understating expenses and falsifying sales records to improve the profits picture.

An individual effort by a cost accounting manager at Nabisco: he used a post office box to set up a fictitious company and billed Nabisco for fictitious services, collecting \$2.1 million fraudulently. Officers of Nabisco discovered the fraud, and called the FBI. The Wall Street Journal again is the source of this report.

Another individual effort came about with two conspirators at Merrill Lynch and Bank of America, who used a computer fraud to bilk the companies of \$17,000. This news came from Computerworld.

Four ex-employees were the subjects of a lawsuit by the Federal Reserve Bank of New York to get back the \$93,000 they allegedly stole. Why this didn't result in a criminal prosecution isn't explained.

The Crocker National Bank was the victim of a check-kiting fraud which cost the bank \$2.4 million. The Wall Street Journal stated that this resulted in a lawsuit, not a criminal prosecution.

Sometimes "respectable" firms become partners with organized crime in its most overt form. While it's difficult to imagine a brokerage house officer toting a submachine gun and killing off competitors, they do what they do best. A cash laundering operation by a municipal bond house worked with bearer bonds, which are hard to trace. In violation of federal law, issue of some of these bonds was not reported to the IRS, to facilitate the laundering operation. The Wall Street Journal reported this one on January 5, 1983.

One facet of corporate crime that usually goes unreported is industrial espionage. Professor William C. Glueck of the University of Georgia said that this is most common in the defense and aerospace industries.<sup>8</sup>

Why are "defense" expenditures so high? One possible answer lies in price fixing and bid rigging. The president of North Broward Industries, Inc., was convicted of rigging \$13 million in bids on military contracts. There was some bribery, too, involving some Defense Department employees.

The electrical companies seem to be career criminals. The big electrical industries price-fixing case of 1960 had a sequel. Six electrical contractors were indicted for bid rigging involving the construction of nuclear power plants.

An example of business fraud spilling over into street crime was that of Federal Express Corporation becoming the victim of bid rigging on construction projects. The contractor arranged bribes and kickbacks for employees of Federal Express. Federal Express terminated the contracts and got rid of the offending employees, but according to the Wall Street Journal, the contractor faces charges of offering \$20,000 to contract killers to "hit" anyone who talked.



"Inventory shrinkage," a term which covers shoplifting, employee theft, and several other sources of loss, was the subject of a study by Arthur Young & Company. They reported that although retailers spent 14% more on security in 1981 than in 1980, this did not cause the amount of losses to shrink. Losses remained at 2% of sales. Sometimes it seems even prevention doesn't work very well.^9

## NOTES

1. The Screwing of the Average Man, David Hap-good, NY, Doubleday & Co., 1974, p. 200-201.
2. Vigilante Handbook, Santoro, Cornville, AZ, Desert Publications, 1981, p. 165.
3. Corporate Fraud, Jack Bologna, Stoneham, MA, Butterworth Publishers, 1984, p. 11.
4. Associated Press, December 15, 1985.
5. Ibid.
6. Ibid.
7. Corporate Fraud, pp. 173-185.
8. Business Policy and Strategic Management, William C. Glueck, NY, McGraw-Hill, 1980, pp. 147-152.
9. Corporate Fraud, p. 185.

## THE DIRTY WHITE COLLAR, PART II

We've looked at the extent of white-collar crime, the reasons for its success, and the reasons why it's still with us. We've also studied the reasons why countermeasures don't seem to work. This chapter will deal with the anatomy of white collar crime, studying some specific schemes and loopholes used by individuals and corporations to steal.

We'll deal only briefly with crimes against the company here, because these are individual crimes for personal profit. We call them "individual," although a theft ring may be involved, only to distinguish them from "corporate" crimes, those committed in the line of duty and on behalf of the corporation. Simply, these individual crimes are employee theft.

There are a number of techniques available to dishonest employees. Among them are cash thefts, stock thefts, and falsification of records to cover illicit payouts. Because some of these are performed by employees who are blue-collar, not white, they don't quite fall into our discussion. We'll also limit this study mainly to methods that have not already been covered.

One interesting way of stealing is payroll padding. This can be done by inserting false employees into the payroll or by "padding" time cards. Sometimes it's as simple as one employee having another employee punch out for him at a later time. In more sophisticated cases, it involves computer tampering to insert spurious identities. This is called "data diddling" when it's done by computer,^1 although it's been done manually for decades or centuries. A variation on this theme in the public sector is entering false welfare "clients" to generate welfare checks for a dishonest social worker to cash using a dummy bank account.

## A Digression About Computer Crime

Because many companies use computers, employee theft is increasingly tied to misuse of the computer. The term "computer crime" is simple and descriptive, and we'll need to take a short course in this interesting field to cover what we didn't earlier.

"Data diddling" requires access to the computer. Almost from the start, computer designers recognized the potential for damage by unauthorized use and devised security systems to limit computer access to authorized persons. One such method is the "password," which an authorized user keys into the machine to get access to the data. This is intended to limit computer crime to those with authorized access, but there are ways of getting around this. One is "piggybacking," where the unauthorized user gets access on another's password if the legitimate user doesn't sign it off upon leaving. Stealing a password is another form of piggybacking, and is possible because some people don't trust themselves to remember it and write it down somewhere, much as others write down safe combinations.

Cracking the password is harder to do, but not as difficult as some might think. This enables someone with a remote terminal to gain access to a large "mainframe" computer through the telephone lines, using a "modem." The small company with a desktop computer not hooked up to outside wiring is invulnerable to remote penetration.

A computer crime that dishonest computer company employees can pull is the "trap door," a common maintenance password used by technicians and which allows access apart from the company's password. A dishonest computer technician who teams up with a conspirator at the client company can ease access for theft.

Exploiting illicit access is a wide field. Penetrating a computer also allows a competitor to get proprietary information, "trade secrets," a form of industrial espionage.

A computer programmer can also use a technique called the "Trojan Horse," special instructions placed into the program so that the computer will perform unauthorized functions. One can be "Salami slicing," shaving small amounts of money from accounts and placing them in a special account payable to the thief. Another is the "Logic bomb," an instruction to sabotage the program or data in certain eventualities. One use of the logic bomb is retaliation by a discharged employee. He can instruct the computer to erase its memory if his name is deleted from the payroll. Another use is by a competitor, who inserts instructions for delayed damage to cover his escape.

At this point, it's important to note that different techniques require different degrees of skill. Data falsification by an authorized operator requires only knowing how to operate the machine. Reconfiguring the program, as in using a logic bomb, requires skill in programming. Some techniques, such as the "pizza boy," require little skill.<sup>2</sup> The pizza boy is a person who gains access to the computer room on a pretext and uses the opportunity to steal data or do damage. The pizza boy can steal printouts and other documents, or perform sabotage. Sometimes this is merely an intermediate step, as when he steals the password to enable access from a remote terminal. The pizza boy can be an independent operator, stealing and selling the material.

An important point to note is that the pizza boy is not a recent invention. Years ago, before computers, penetrating a company's offices to steal material or information was an industrial espionage and criminal technique.

An even simpler technique is called "scavenging" in the peculiar lingo of computer crime.<sup>3</sup> This is what we'd call "trashing" in other contexts, and is simply sifting through the trash to find useful materials and documents. A company can protect itself against this by using paper shredders to destroy sensitive materials before discarding them.

Countermeasures range from effective to almost useless. Paper shredding, as we've seen, can defeat trashing but only if this is a rigidly enforced policy. Passwords can be broken. Any access code is vulnerable to cracking. Encoding data tra

nsmitted over telephone lines helps against wiretapping, but any code can be broken.

## Fraud For The Company

Count Cavour, the Italian statesman, once said, "If we did for ourselves what we do for our country, what scoundrels we would be." Today, we could easily paraphrase this, substituting the word "company" for "country." Otherwise upright executives use devious means to further company interests, without any qualms of conscience. Let's look at some.

## Bribery

This is very common. The most usual form isn't illegal, and many consider it marginal. A salesman who takes a buyer to lunch is giving a gratuity. A Christmas or birthday present is a further step in that direction. When the buyer starts accepting stereos, TV sets, and VCRs, he's sold out.

Purchasing agents aren't the only ones vulnerable to bribery, and bribery isn't only for the purpose of getting a contract. Covering up defective material in deliveries is another purpose. Getting a peek at the competitor's bid is another. Influencing legislation and securing extra service from government agencies are also possible with bribes, however disguised they may be.<sup>4</sup>

A defense contractor, for example, has many ways of bribery open to him, and many benefits to gather. He may, for example, simply pay off a government purchasing agent with a cash bribe to get the contract. Covering up defective material by bribing the government inspector with a new car is another step along the way. When a congressional committee member comes to inspect the product to see that the government's getting full value, the company pays his expenses, puts him up at a luxury hotel, and pays for nights "on the town" for him, to ensure a favorable report. A visiting general gets the same treatment.

There are all sorts of ways to cover up bribes. Of course, nobody pays them directly by check. The paper bag or briefcase full of money is obsolete, unless the recipient has an off-shore bank account or other method of concealing the bribe.

A bribe can take the form of simply "picking up the tab." It can also be a company car "on permanent loan" to the person being bribed. It can take the form of an all-expenses-paid vacation at the company's lodge. Bribing a public official can be far more devious than the simple schemes outlined so far.

A congressman who is also a member of a law firm can be approached by putting his law firm "on retainer" by a company that wishes to influence his vote. A "retainer" is not a payment for actual work; it's a payment to ensure availability if needed, a sort of down payment. A construction company owned by a relative of the congressman can receive a number of lucrative contracts. A short-cut to this is to have a dummy company accept payments covered by bogus work orders and invoices.

"Consultant" fees are common. These are for "work" that is so vaguely defined as to be perfect avenues for bribe payments. A "consultant" can also be a bribe master. This is common at the seats of governments. Businessmen who want government contracts or otherwise seek to influence governments often hire "middlemen" and "lobbyists" to advance their causes. These people deal in only one thing; they "know the right people" and they know how to approach them to get things done. Another, less flattering term is "influence peddler."

The influence peddler knows who to approach, and how to approach him. He knows who's on the take, and what his going rates are. Both in Washington and in state capitals there are well-known, if unpublished, rates for buying votes.<sup>5</sup> Some le

gislators can be influenced by favor-trading, in the form of log-rolling and pork-barrel legislation. Others have cash prices.

Campaign contributions are legal and above-board methods of buying legislators and other elected officials. This can filter down to very low levels. A sheriff who stops the son of a major contributor on a traffic charge faces a conflict of loyalties, and is more likely to let him off with a warning than he would the son of a sharecropper. Bribing police officers is common for small businessmen. The officers might reciprocate by allowing illegal parking by the businessman, his customers, or his suppliers' trucks. Free drinks, meals, and "police discounts" on major purchases are very common.^6 Letting a public official buy items "at cost" is a very common form of payoff. Low-interest or interest-free loans are also thinly-disguised bribes.

Putting a legislator's relative on the payroll is another way to cover a bribe. On the surface, it's perfectly legal and above-board. The company even withholds taxes from the paycheck to satisfy the IRS.

Generating the cash for a payoff is possible in a number of different ways. Small bribes can be covered by petty cash vouchers. For example, a bottle of liquor to an employee of a freight forwarding company was payment for his earmarking shipments to a defense contractor and phoning him as soon as they arrived. This was bought out of petty cash and delivered by a member of the purchasing office.^7

Large bribes, if they're in cash, need more elaborate covers. A firm can pay a lawyer for fictitious services. The lawyers can deduct taxes and a small processing fee, then remit cash back to the company. This falls under "money laundering."

Free rides on company aircraft are common bribes. These often cost the company nothing. Corporate jets shuttle from coast to coast daily, and usually there are some unoccupied seats. It's simple to notify legislators and other government officials of their availability, and offer them rides.

A company can bribe union officials by taking out ads in the union publication. This is illegal, but there are easy ways to disguise the channel of transmission. The owner of the ABC Corporation cannot make a direct contribution to his company's union. However, he also owns the XYZ Company, which is in a different line of business and has no connection to this union. It's legal for the XYZ Company to make such contributions.

There are two approaches to coping with the bribery problem. The first, which is standard practice in many government agencies, is to outlaw any gratuity, however small. This simplifies the picture, both for the public employee and for the salesman. It's clear at the outset that any form of gratuity is illicit, however small.

The other approach is to set a dollar limit, or limit the type of gratuity. A "business lunch" is permissible, and so is a bottle of liquor, but the gift of a car is not. This is what corporations usually do. They allow lunches, or perhaps Christmas presents, as long as they're not too opulent. Because this rule is flexible, it's easily subject to abuse.

Inevitably, this system lends itself to hypocrisy. There's usually a double standard operating. The corporation's purchasing department is under restrictions regarding gratuities. The sales department is free to give them to other companies' purchasing agents or to government buyers to get a contract. This is so widespread that it results in a ridiculous game. Companies try to safeguard the integrity of their employees while trying to corrupt that of others. With this sort of hypocrisy as standard operating procedure, it's not surprising that this form of

f white collar crime is uncontrollable.

While foreign policy is outside the scope of this study, it's worth mentioning that at the same time our government tries to ensure the loyalty of its employees by banning gratuities, it attempts to suborn foreign statesmen by various forms of bribes. These take the form of "foreign aid," "military assistance" etc., and often turn out to be futile attempts to buy allies.

### Planned Bankruptcy

Bankruptcy means getting legal forgiveness for debt. A person or corporation filing for bankruptcy admits that the debts are too much to pay, and gets help from a court against creditors. The court sets aside the debts, and appoints a "receiver" to administer any remaining assets and to pay off creditors at a percentage of the debts.

If the person filing for bankruptcy is an individual, there are usually no remaining assets, because he's gone through all his cash and most other possessions. Corporations, on the other hand, often have some tools and inventories. Bankruptcy can be useful to help a faltering corporation stay on its feet, and try to reorganize. If it's too far gone, liquidation may be the only answer.

Who gets hurt? Creditors, of course. If the creditors are large corporations, their losses may be small in relation to their total business. If a creditor is a small company, and the bankrupt is a large account, the loss may well sink the small company.

This is a good example of taking advantage of loopholes in the law. At times, it may seem the bankruptcy law was created as a vehicle for fraud. At the very least, it's a law that lends itself easily to criminal manipulation. Going through bankruptcy is legal. Planning it as a way of making a quick buck is not.

The basic method of criminal manipulation is to purchase merchandise on credit, resell it, manipulate the books to conceal proceeds of the reselling, and then file for bankruptcy when the credit bubble bursts.<sup>8</sup>

There are a number of ways to operate such a scam. The most blatant one is to set up a dummy "company" and order supplies, trans-ship or sell them when they arrive, then disappear. This is the method often used by underworld organized crime types and journeyman con artists. It works because many companies simply don't run adequate credit and background checks on their customers. Even those who run superficial credit checks can be fooled because the operators of these dummy companies usually establish some sort of banking references by opening accounts.

Setting up and establishing credibility with suppliers often takes time if the goal is to make off with a large amount. The best way to establish confidence is to send in orders and pay for them. The supplier starts to think of the dummy company as a regular customer. The con artists often have to accept temporary losses, or delays in realizing profits, because they lay out money to satisfy their suppliers. In some instances, they can recoup some of their investment immediately by "fencing" off the goods through their organized crime channels. While doing this, they take no risks. They're doing nothing illegal, because buying at one price and reselling at a lower one is not a crime.

The con artist has a choice of methods of terminating the proceedings, and bankruptcy is only one of them. He can, if he's gutsy and imaginative, set a fire and claim the missing inventory was destroyed, and even collect on the insurance. He can also simply leave town.?

Another entry into such fraud is to acquire control of an existing and legitimate

e company. One possibility is that the owner's already in some debt, and the organized crime artist helps him out with ready cash. In return, he takes a piece of the "action." This gives him a ready-set vehicle for credit. There are established accounts, credit cards, and assets to milk.

In some instances, otherwise honest businessmen operate scams that are variants of the bankruptcy fraud. A company owner in tight financial straits may sell some of his inventory to a dummy company he sets up. His dummy company re-sells it, he pockets the cash, and dissolves the dummy. On his books, he claims that he was unable to collect on that account. He sets himself up to seem the victim of the very fraud he is perpetrating.

We've seen that small companies allow victimization if they don't check out their customers adequately. If they ignore certain warning signs, they risk being taken by this sort of scam. Some of the warning signs are:

- \* New accounts. These deserve a close look unless the amount involved is trivial.
- \* Old accounts with new owners. These may be simple changes of ownership, or portents of fraud to come.
- \* Sudden increases in the size of orders.
- \* Late payments. In some scams, the con artist "milks" the supplier along by making partial payment at the same time that he places an even larger order. Because this is a standard tactic by "legitimate" businesses that try to operate with other companies' money, it's hard to evaluate accurately. A no-nonsense credit policy can safeguard against both dangers.
- \* A company operating from a post office box or an answering service.

All of these are symptoms. It's bad policy to ignore them, although often they're ambiguous and may simply be the result of innocent activity.

### Criminal Receivership

Perhaps in no other activity is the close connection between organized crime and "legitimate" business so obvious. This is what makes the image of swarthy men in dark suits with foreign surnames simply a stereotype. Some of them may be criminals, but their partners are very "respectable" in appearance, and "as American as apple pie."

Anyone who handles illicit goods has to get rid of them. This is true whether the goods are from outright theft, as in hijacking, or the result of an illicit liquidation, as in various bankruptcy schemes and "bust-outs." Often a middleman, or "fence," buys the goods at a substantial discount. He, in turn, re-sells the material to his customer, who may be another businessman in the same line as the victim or the bankrupted company.<sup>10</sup>

The receiver is seeking low-cost goods with which to compete in the marketplace.

Often his ethics take second place to profit. When he buys low-priced supplies to get a competitive edge, he turns a blind eye to their provenance. While any intelligent person can suspect that suspiciously low prices suggest something illicit, this sort of businessman doesn't think about it. He may excuse himself on the grounds that because he doesn't steal the goods himself, he's not responsible. He may also say that the origin of the material simply is none of his business. However, he's quite willing to dispose of it at a profit.

### Cooking The Books

Traditionally, the businessman has three sets of books. One is to show the tax collector, and this set minimizes his profits. The second set is to show a prospective investor, and this set shows that the company is making money hand over fi

st. The third is the real set of books, carefully concealed from everyone else.

There are several reasons for falsification of business records, or "cooking the books." Tax evasion and suckering investors are common ones, but others relate directly to the company and its policies. If, for example, a company pays yearly bonuses, based on sales or profits, to its executives, this is an incentive for at least slight cheating on the books. If a promotion depends on sales, profit, or inventory figures, there will also be an incentive to cheat.

There are basically only two ways to cook the books, although there are many variants.<sup>11</sup> One way is to overstate revenues. The other is to understate costs. Both affect profits.

There are a number of ways to exaggerate profits or income. Some are extremely crude, while others are subtle, and almost foolproof. Entering fictitious sales is perhaps the crudest, and this is vulnerable to checking out by a phone call or letter. Entering sales before they're contracted or consummated is called "early booking," and is somewhat less crude. Entering a shipment to a storage warehouse as a sale is another way of falsification.

Delaying or omitting recording returned goods is a way of avoiding cutting the net sales figures. It's sometimes possible to delay issuing a credit memo until the next accounting period.

Cutting costs on paper is even easier, and open to a variety of methods, some very crude, and some very refined. Manipulating inventories on paper is one useful technique. It's possible both to understate purchased material or to overstate material in stock. Reclassifying material from scrap to fresh inventory looks good on paper. Another way is to reduce the scrap rate. This deserves special mention, because it's the most common way of cheating, yet the least detected.

Normally, a company sets certain standards for the quality of work. Machine parts have tolerances, and assembled equipment is supposed to work within certain performance limits when it's "passed" for shipping. Lowering the quality standards is one way for a manager to lower his costs and increase his department's output. "Scrapping out" material means a loss in two ways: the cost of the material produced, and the time and money it takes to make up the shortage. It's easier to "pass" it and ship the problem to the customer. Nowhere do we see this more prominently than in our automobile industry.

It's fashionable for Detroit automobile makers to blame unions for the high prices and low quality of American cars. It's a convenient fiction, because it absolves the executives from blame. Actually, high price and low quality result from the "system" which Detroit's automobile executives set up.

It's rare for an assembly line to be stopped while a defective car's repaired or replaced. The cost of "downtime" is simply too high, so it doesn't happen unless a major catastrophe forces stopping the line. It's also uncommon to "scrap out" a car for defects, unless they're so large as to be intolerable and even then such rejects are sometimes shipped.

Buyers of new cars see the results. Coming from the factory, a car rarely works the way it's supposed to. Fuses or headlights are missing, wires aren't connected, trim's missing, and the car's likely to have one or two dozen defects that may or may not show at time of purchase.

The automobile companies' division managers not only allow this; they encourage it. Their quarterly reports look best when they can say that they've shipped the maximum number of cars with the minimum amount of labor or scrap. The division managers get their bonuses this way.

They practice this sort of fudging because they know that assembly errors are often corrected by the dealers, when the long-suffering customers bring the cars back for warranty repairs. Dealers charge the cost of warranty repairs back to the company, but this doesn't appear on the books until the next accounting period. By that time, the executive has his bonus, and perhaps a promotion. If he's promoted, then it's not his problem anymore.

The top executives look the other way. They know that the short-term figures help in presenting a picture of high profits to investors and stockholders. This is a game where everybody wins, except the customers. This is why the same pernicious "system" continues, year after year.

#### NOTES

1. Corporate Fraud, Jack Bologna, Stoneham, MA, Butterworth Publishers, 1984, p. 52.
2. Ibid., p. 199.
3. Ibid., p. 199.
4. White Collar Crime, Chamber of Commerce of the United States, 1974, pp. 15-16.
5. At a club meeting, one state senator announced to his fellow members that he was running for re-election and asked for campaign contributions. He said that he'd accept contributions up to \$999, and that any higher sums he would consider a purchase. This prompted a half-serious question from another member (the author) regarding whether one thousand dollars was the going rate for outright purchase of a senator in that state. The senator replied that he'd heard of votes selling for as little as three hundred dollars.
6. White Collar Crime, p. 17.
7. Personal experience of the author. The cost of the liquor was taken from petty cash under a voucher signed by the plant manager. The voucher said, "Bonus for extra effort."
8. Ibid., p. 13.
9. Ibid., p. 14.
10. Ibid., pp. 44-47.
11. Corporate Fraud, p. 41.

#### THE DIRTY WHITE COLLAR, PART III: Securities Swindles

Security swindles have been known by various other names, such as "stock frauds." They've been with us for centuries. A security swindle is persuading the victim to buy a worthless piece of paper. In the view of conservative economists, this phrase would describe paying precious metal coin for the current U.S. paper currency, but we won't go that far for the purpose of this discussion. However, let's state clearly that a security, worthless or valid, is just a piece of paper.

It supposedly represents real wealth, and whether or not it really does determines if the transaction is fraudulent.

The word "security" is a general term which covers a lot of different types of paper. It can mean a stock certificate, note, bond, share, certificate of deposit, title, investment contract, or any of various other types of paper which symbolize material wealth.<sup>1</sup>

The theme which runs through the study of securities fraud is that the further removed from the material object, the more likely the piece of paper is to be fraudulent, or at least insecure, with its value hard to pin down. Some good examples are stocks and bonds. While we may question the value of our paper money, there's no doubt that a certain number of dollars will buy a certain object. At least, dollars are fixed in value, except for slight fluctuations in the international



nal money markets. Stocks, on the other hand, can vary widely in price from day to day. Bonds, in some forms, have no value because they're irredeemable until a certain time has elapsed. Some bonds can be sold, at a discount, by those who need immediate cash.

The entire securities market is vulnerable both to swindling and theft because it's so complicated. The main point is that the people who made it complicated are members of the "establishment," the ones who run it. As we'll see, in setting up a market with purchase of paper at the stock exchange, with values constantly fluctuating and with partial payment permitted, the members of the establishment created the conditions that allow abuses at every step.

The basic mechanism of a security swindle is that the con artist obtains money, goods or services from the victim in return for a fraudulent piece of paper, sometimes the paper is a bond or promissory note, a promise to pay a certain sum at a certain future time. It can also be an investment contract, a scheme where the victim pays money and is led to expect a return on his investment. A third type is a certificate or share in a profit-sharing plan.

Con artists are clever, and frequently devise schemes which bear little resemblance on the surface to these three basic types, but behind the misrepresentations the theme comes through. It's always the same: "Invest your money with me and you'll get a big return."

The Glenn Turner "Koscot Interplanetary" scheme was a pyramid selling scam which swindled a lot of people before the authorities in several different states stopped it with criminal prosecutions. Glenn Turner, a charismatic con artist with a harelip, typically would conduct a sales meeting in a town to sign up prospects. A number of his shills would lay the groundwork for the meeting. At one such meeting, his advance men contacted the local newspaper, asking for coverage of that evening's meeting. Glenn Turner drove up in a pink Cadillac, to the cheers of his followers. Inside the rented hall, he made a revival-type speech, promising the listeners that participation in his plan would make them rich quickly. The scheme he outlined promised quick promotions and financial independence. His audience simply had to sign up and invest a couple of thousand dollars.

To lace the presentation with enthusiasm, Turner or another speaker would invite testimonials from "successful" Koscot dealers. As each one was called, he'd run from the back of the hall to shouts of "GO! GO! GO!" from other pitchmen. On stage, he'd tell the audience how Glenn Turner's plan had made him rich, and how they could take advantage of the same opportunity.

Turner's assistants moved smoothly to enhance the atmosphere. They cheered, applauded, and shouted at the right moments. One was assigned to each member of the press, to try to persuade him of Turner's virtue. One pitchman even claimed that Turner had been an adviser to President Nixon, although he declined to say on what subject Turner had advised the President.^2

The Turner-Koscot plan was nothing more than a pyramid sales scheme, a combination of investment swindle and profit-sharing plan. Technically, it was also a securities swindle. The "investor" was promised a share of the profits at his level in the scheme, be it dealer or distributor.

A clever variation on a theme was the advanced-fee scheme set up by Barclay Financial Group. The scam was that Barclay was a money broker, collecting a fee for lending the investors' money out to borrowers. The fee was up-front, of course. The catch came when Barclay did not make the loans on behalf of the investors. That's when they found out that the up-front fee was not refundable. The law interpreted the scheme as being essentially a promise to pay, which made it a securities fraud.^3

Most securities frauds aren't as zany as these two. Typically, they sell paper. The con artists claim that the paper has value, but because of the nature of the "legitimate" securities market, this is hard to determine at the outset. The buyer usually can't prove that the scheme's a fraud, although it may become clear later after he's lost his shirt.

One problem is that there's no clear dividing line between the "legitimate" securities market and the fraudulent one. Both deal in paper. In The Rip Off Book, Vol. 1, and The Rip Off Book, Vol. 2 we've seen how checks, paper one step removed from currency, can be used for fraud. The picture is far worse with securities because they're many steps removed from the objects they represent. Let's look at some of these pieces of paper and see exactly how far removed some of them are.

A "note" is a piece of paper a borrower signs for a lender. It's a promise to repay a loan. A note isn't real currency any more than a check is, but often is accepted as such in certain transactions. For example, a businessman who needs to raise money quickly may find that his cash is all tied up in loans. He can sell his notes to a "factor," a person dealing in uncollected loans, at a discount, thereby getting his ready cash.

A "bond" is a promise to pay, just like a note, but it's more formal. The bond is secured by certain assets, a form of "collateral." Usually a note is a onetime affair, a single piece of paper given for a single loan. A bond is a series of certificates offered on the open market by a company or a municipality. Investors consider municipal bonds to be very desirable because they're tax-free and backed by a local government, but during the past decade we've seen cities default on their bond payments.

Bonds and notes are no better than the person or company which issues them. Both depend on ability to pay in the future, which is often unpredictable.

A "share" of "stock" is a portion of the ownership of a company. Typically, there are thousands of shares out for even the smaller companies, and one share doesn't represent very much, investors usually buy "blocks" of stock. Getting your money back on the stock can be a problem. The stock may not pay dividends. You can't just walk up, pick up a piece of company property, and sell it if you want to get your money back. If you want to sell, you usually have to sell it through a broker, if anyone's willing to buy. Sometimes the stock "appreciates," increases in value. Then you can sell it for a "capital gain." If it drops, you're out of luck. Essentially, the stock is only as good as the company it represents, and sometimes not even that, especially if it's forged or stolen.

Many investors ask to see a prospectus when they buy stock. Typically, the prospectus contains a financial statement giving a picture of the financial health or ill-health of the company. Actually, the financial statement and the accompanying paragraphs are usually just propaganda. They may or may not present a true picture, and are always inaccurate by a certain percentage. Inflation is one reason why. The company may have bought some assets in 1980 dollars. Its value in 1985 dollars may have increased, but unless the increase is more than the percentage of inflation between 1980 and 1985, its real value will have declined.

Another reason for inaccuracy is closely allied with the boilerplate phrase that accompanies financial statements, "...made in accordance with generally-accepted accounting principles." This weaseling phrase purports to say a lot, but actually says nothing. Nobody defines these "generally accepted accounting principles," and actually there are none. They vary with the accountant, and usually amount only to checking pieces of paper against each other and verifying that the sums come out right. An inventory statement is accepted at face value, unless the a

ccountant has gone out to the warehouse to do a physical inventory. Sales statements are just that, statements. They may or may not represent actual sales. We've seen previously that "cooking the books" is a technique for inflating the value of a company by showing a brighter profit picture than actually exists.

"Mutual funds" are second-order stocks. You don't buy stock in a real company that makes a real product. You buy stock in a company that buys stock in other companies. Supposedly, the mutual funds are run by professional money managers who know what they're doing to earn money on your investment. Actually, any errors in the value of the stocks bought are compounded by this second-order process.

"Commodities" can be almost any sort of material, such as wheat, oats, pork bellies, etc. In one sense, they're like precious metals in that they're real items with prices that fluctuate. However, many people who invest in precious metals buy them outright and store them in a safe-deposit box. None of the small investors take possession of pork bellies. Instead, they buy warehouse receipts. They may not even get the warehouse receipts in their hands, but keep them at their broker's.

"Futures" aren't even that. They're options to buy at set prices at a fixed term from the date of purchase. If the market price goes up beyond the one for which you've contracted, you earn a profit. If it doesn't, you have to sell at a loss.

"Options" are similar, but apply to stocks, bonds, and precious metals. You buy an option, an opportunity, to buy the stock or other paper or substance at a future time. The same rules apply. You can buy these "on margin," which as we've seen, means that you put up only a fraction of the price.

Involved in all of these transactions is the broker, who gets a commission for each sale, as does his counterpart who deals in stocks. The stock or commodity broker is basically a salesman who has an interest in generating as many sales as he can. Leaning on a broker for advice is hazardous to your financial health.

This system of stock and commodity trading has abuses built-in. First, because it's possible to make a lot of money from price fluctuations, investors try to "buy low" and "sell high." Because stockbrokers earn commissions on sales, they have an incentive to encourage the clients to buy and sell often. Some make false predictions of anticipated higher prices to get their sales commissions.

Some investors with a lot of dollars try to manipulate the market. They buy a stock when the price is low. Their purchases start the price going up. They start rumors that the company and its stock are going to increase in value. The price rises more. Before it hits its peak and the price starts to drop, they unload their stock quietly. In this effort, they sometimes have the help of an unscrupulous stockbroker operating a "boiler room" with salespeople on the telephone persuading other people to buy this astonishingly "successful" stock. By the time these small investors get on board, the stock's plummeting down.

### Boiler Rooms

These are telephone sales centers. There are many desks, each with a telephone, and each with a salesperson. These salespeople choose from lists of prospects, or from the telephone directory.

A boiler room can offer legitimate stocks, or sell outright frauds. The method of operation is the same. The salesperson tells the prospect that the offering is "hot," that it's either gaining in value or will very soon. He or she may cite a previous offering as "proof." One boiler room person, for example, cited the gain in silver prices during her pitch, telling her prospective victim that if he

'd bought silver some months before, he'd now be wealthy.^4

Spotting a boiler room scam isn't hard. There are some features that stand out. The stock or option is with an unknown company, although the name may be close to that of a large, well-known one. The salesperson inserts a note of urgency; it's necessary to "act now" or miss the opportunity. There's the promise of low risk and high profit. Another good tip-off is a boiler room operating across state lines. The crooked ones usually do, using W.A.T.S. telephone lines.

The reason is that states have laws regarding stock sales, but the jurisdiction usually stops at the state line. Selling a stock, bond or commodity in an unscrupulous manner is illegal, but if the call comes from out of state, prosecution is extraordinarily difficult because it's not clear whose laws are being broken, and who has jurisdiction.

A couple of good questions to ask yourself if ever you get a phone call from one of these over-enthusiastic salespeople pushing "hot" stocks or commodities is this: "If it's such a good value, why is this person trying to sell it? Why isn't he or she buying as much as possible for him(her)self?"

### The Rules

The rules of the stock market, often set into law, allow even greater abuses. Normally, when we buy something, we buy for cash. If we can't afford cash, we get a loan. The buyer gets cash from the bank or finance company, and is obligated to pay off the loan. The market doesn't quite work that way.

It's possible to buy on "margin," that is, pay only a small percentage of the purchase price. This makes it easy for the big operator with little cash but good "inside information" to make something out of nothing. Knowing that a stock will go up in price because of an impending government contract, for example, he buys as much on margin as his limited cash will allow. The day after the announcement of the contract, the stock goes up in value. He sells for full price, pays the balance of his purchase from the proceeds, and pockets the difference.

This fast shuffle also allows a form of creative manipulation called "arbitrage." This means buying at a low price in one market, and selling high in another. An international operator can buy a stock in the New York market, knowing that it's selling for more in the Zurich market, which has just closed according to New York time. When the Zurich market re-opens, he takes advantage of the time zone difference to sell his stock higher. With margin buying, he can control more stock, and clear a higher profit than if he just bought at 100%.

Arbitrage also works in currency markets. Currency exchange rates vary somewhat from one market to another. Buying one that's low in one market and selling it for more in another where the exchange rate's higher can net a profit for the sharp operator.

### Forgery

Forged stock and bond certificates can be bonanzas for the clever operator.^5 While trying to cash a forged certificate can be hazardous because of the close scrutiny of the buyer, using them for collateral isn't as hard. A set of forged stock certificates, deposited with a bank to cover a loan, can start a chain of illegal financial manipulations. Ivar Krueger got started this way.

These forged certificates can also find other uses. One way to raise money is to persuade people to invest in a "holding company," which is just an office that holds other companies' stock. A mutual fund is one such. One excellent tool to persuade potential buyers is an audit report by a prestigious accounting firm. Th

e auditors go through the holding company's books to generate a financial statement that shows how well the company's doing. In so doing, they spot-check the holdings, simply as a form of verifying the "inventory." If the correct pieces of paper are there, the auditors accept them without trying to verify their authenticity. This allows substitution of forgeries. This substitution can occur at any time. The truly audacious swindler will operate with a drawer full of forgeries. The more prudent one will start out with genuine certificates, but once the audit's finished he'll substitute forgeries and dispose of the genuine certificates in other creative ways. He may use them as collateral for a large loan, and when he gets his money, departs for parts unknown.

Sometimes the certificates are genuine, but stolen. This is a convenient way of putting stolen securities "on ice" for a number of years while getting back part of their cash value.

### Outright Frauds

Cold stocks are still with us. If anything, it's easier to sell phony gold now than it was years ago. It's no longer necessary to try to palm off iron pyrites as gold because people no longer ask to see the metal. They'll accept pieces of paper instead.

There are difficulties in trying to fake out a potential investor who wants to inspect the "gold mine." While it's possible to "salt" the mine, (plant gold dust or gold nuggets in the earth) this technique is relatively easy to expose.<sup>6</sup> There's no need to take such steps in selling paper.

There are stocks in small gold mining companies always available. They're fairly cheap stocks, partly because they're not worth anything, and partly to keep the price within reach of the small sucker. A boiler room operation sells them sight unseen, because the customer practically never travels to make a physical inspection of the alleged "mine."

### Counterfeiting

Stock certificates are not the only items subject to counterfeiting. So are precious coins. Krugerrands, popular with some investors in recent years, have stimulated counterfeiters. Nobody knows how many fake Krugerrands are floating around, although there have been large seizures of counterfeits in recent years.

### Commodity Bucket Shops

A "bucket shop" is basically a boiler room, but this one deals in commodities on "leveraged contracts." These are futures in which the investor puts up only a fraction of the price, just as in buying on margin. If the bucket shop actually buys and holds the metal for you, it's legal, and the only risk you run is that of a fickle market. This risk is bad enough, but if the bucket shop's illegal, and d cuts corners, you're in real trouble.

The fraudulent bucket shop doesn't buy any metal; it merely makes telephone sales of mythical metal and collects the customers' money. They're temporary operations, because their operators never intend to buy precious metal or make any significant payoffs. Any payoffs the bucket shop makes during its short lifetime are only to keep departing customers quiet while it continues to collect much more from others.

It's hard even to estimate how many of these fraudulent bucket shops are currently operating.<sup>7</sup> The estimates are as high as eight thousand. Tracking them down and prosecuting the operators is almost impossible because they make moving targets. The typical operator breezes into town, rents an office and office furniture

e, has phones installed, and hires salespeople to start the operation. By the time the authorities even hear of him, he's into many people for thousands of dollars.

Starting an investigation takes time. There have to be complaints, and they have to have enough substance to convince the fraud squad or the Commodity Futures Trading Commission to act. By the time the cumbersome enforcement machinery gets into motion, the operator's taken the money and run. Of course, he leaves no forwarding address, and tracing him is difficult. Meanwhile, he sets up shop in another state under another name, and the cycle starts again.

### Touting

A racetrack tout is a fast-shuffle artist who approaches prospective victims with "tips" on the winners. He gives away the "tip," asking only that if the person wins some money, he split it with him. The dishonesty comes in his giving different people different tips, and avoiding those who got "burned."

There's a legend regarding a financial tout, which seems so logical and plausible that it may be true.

This shows up the difficulty of making your way in the minefield of the stock market.<sup>8</sup>

There are many "financial newsletters" in this country, all purporting to provide the reader an inside view of the hot opportunities in the stock market. Their value is questionable, especially because their language is laced with qualifiers that make it obvious they're mostly based on guesswork. The logical conclusion, too, is that if their writers really had "inside information" they'd be using it to get suddenly rich, not sharing it with others.

One newsletter, started by a group of sharp operators, allegedly went out without charge to people across the country. Each free issue had a subscription form attached. Each issue also had a recommendation regarding a certain stock. There were actually two versions, one saying "buy" and the other saying "sell." Whatever the outcome in real life, there was one group of recipients who had seen that the recommendation was valid.

The second issue went out only to half of the first group, the half that received the recommendation that proved correct. Again, there were two versions, regarding another stock, and again there was a subscription form with each copy. The process went for two more cycles, and the fifth issue went out with the same recommendation for all: buy a certain worthless stock owned by the operators of the newsletter. The sudden demand for the stock drove the price up, and the operators "unloaded" at its peak.

The foregoing account may just be legend, like the one of the opulent panhandler discussed in a previous volume, but stock touting is common. Stockbrokers operate on commission, and their purpose is

to stimulate sales. They can do this safely because they're under no legal obligation to guarantee that any stock they sell will go up. While making purposeful misrepresentations about the stock is illegal, clever stockbrokers, who are really just salesmen, have clever ways to induce a customer to buy without making a claim that is indictable. Words such as the following imply a lot but actually say nothing:

"The smart money's on this stock right now."

"This is the one to watch."

"I expect this one to move real soon."

## Avoiding Problems

Getting hurt in the stock market is very easy. The best way to avoid it is to stay out. The small investor lost his shirt in 1969, when the market caved in. However, each new generation has to learn the lesson anew. Small investors are starting in again, perhaps not having learned or having forgotten the lessons of the past.<sup>9</sup>

To protect yourself, be very cautious. Always keep in mind the old cliché that "If it sounds too good to be true, it probably is." Don't jump in when offered the opportunity of a lifetime, and be cautious even in routine purchases of stock, if you must play the market. Be especially careful in commodities, and in precious metals. The best policy with any commodity is not to buy it unless you can see it. This may seem like a truly narrow-minded, pig-headed attitude, but it's eminently rational. If it's not there, you're just buying a promise, and a promise is an invitation to renege.

## More Gold And Precious Metal Scams

We find gold schemes still with us, right up to the mid-1980s. The "gold brick" is a bit outdated, but somewhere in the world there's still a sucker who'll buy one.

The gold brick, as we've already seen, is a first-order swindle. The con man sells counterfeit material to his sucker.

A second-order swindle is like the following: A man sold friends and acquaintances gold in the form of 10 percent monthly interest to those who "invested" in a fictitious gold mine in Nevada.<sup>10</sup> Allegedly, they would get something of value fairly quickly, and when the payoffs didn't come and customers started complaining, the perpetrator moved his base of operations.

Another sort of second-order fraud is the bullion storage company, which sells investors shares in precious metal bullion allegedly stored in its vaults. Theoretically, the metal is available for inspection, but practical difficulties always take precedence. A number of these bunco operations have been broken up around the country.

They often start honestly, legitimately accepting precious metals for storage from survivalists and others who feel that the banks are not safe places to keep such commodities securely. The rot sets in when the owner becomes greedy, or when he sells out to buyers who are less ethical than he.

A third-order scam is the commodities "future" or other form of paper that supposedly represents the commodity. Shares in a gold mine don't actually guarantee the investor any return. Dividends are up to the directors, however much gold there is in the ground. Investing in "futures," whatever the substance might be, is simply skating on thin ice. The investor can, to mix metaphors, find the rug pulled right out from under him, leaving him without recourse.

As we reviewed when previously dealing with the commodities market, "futures" are a form of legalized gambling, and the odds are set dead against the investor. The investor is betting that the market price will be a certain amount by a certain date. If it is, he sells at a profit. If it isn't, too bad. He is stuck. The "system" wins again.

## NOTES

1. Expanding Enforcement Options: The Securities Fraud Approach. An Operational Guide to White Collar Crime Enforcement, Professor Joseph c. Long, Washington, D .C., Law Enforcement Assistance Administration, 1979, p. 4.
2. Personal experience of the author, who covered a Turner "Happening" for a local newspaper.
3. Expanding Enforcement Options: The Securities Fraud Approach, pp. 31-34.
4. Phone call received by the author one evening.
5. White Collar Crime, U.S. Chamber of Commerce, 1974, pp. 48-54.
6. Investment Frauds, Rip-offs, and Cons-. Secrets of the Trade, Richard Maybury, Winter Park, FL, Investment Publishing Croup, 1984, pp. 8-10.
7. Ibid., p. 21.
8. Ibid., pp. 26-28.
9. New York Times, December 23, 1985.
10. Money For Nothing, M. Allen Henderson, Boulder, CO, Paladin Press, 1986, pp. 138-139.

#### THE DIRTY WHITE COLLAR, PART IV: Securities Theft

We've taken a quick look at this in previous pages, but the story of securities theft is longer than can be laid out in a few paragraphs. In essence, it's the story of what the securities industry did to itself, through greed, bad planning, poor management, and simple ineptitude.

The theft of securities has been with us for as long as the securities themselves. We've seen that, because these pieces of paper are poorly controlled compared to currency, both theft and counterfeiting are relatively easy.

In the late 1960s, the New York Stock Exchange was boiling over. Small investors, stupefied and hypnotized by the false promise of instant wealth, put their money into stocks and bonds with the active encouragement of brokers, who saw only the commission on every sale. In 1961, the average number of transactions per day on the New York Stock Exchange was 20,700, with a dollar value of \$4,085,000. In 1965, the average daily transactions had increased to 29,896, and the dollar volume to \$6,176,000. In 1968, the transactions came to 42,940 per day, and the dollars totaled \$12,971,000.<sup>1</sup>

The problem centered, in part, around the processing of the paperwork connected with this swollen volume of sales. Selling a stock required the customer to give the certificate to his broker. The broker would give the certificate to the transfer agent, who would record the transfer, cancel the old certificate, and issue a new one to the buyer's broker. The cashier's department in this broker's office checks the certificate's endorsements and signatures to verify authenticity.

It generates internal paperwork to record the transaction and sends the certificate for temporary storage in another area. Sending the certificate to its owner creates more activity and more paperwork. It's a cumbersome process.<sup>2</sup>

The increased traffic created an overload on an already marginally effective and inefficient system. One aspect of this system that directly contributed to the crisis was that the hired help were of low quality and certainly were poorly paid in relation to their responsibilities.<sup>3</sup>

The situation was somewhat like what developed during the stunning "Falcon and Snowman" incident at TRW almost a decade later. Low-level employees were entrusted with extremely important and sensitive material, and their low pay was almost an invitation to steal. As with espionage, the ones who are caught most often and most quickly are the file clerks. The well-placed, high-level "mole" can operate for decades and perhaps never even come under suspicion.



About 25,000 new hires during 1968 and copious overtime were the unimaginative solutions adopted by the stockbrokers.<sup>4</sup> All through this, stockbrokers kept up the barrage of advertising to attract more customers.<sup>5</sup> The increased volume of business made it worse. The motive for continuing to sabotage the efficiency and smoothness of their operation? Simple greed.

The effect was simple and direct. During 1969 and 1970, over \$400 million worth of securities were listed by the National Crime information Center as stolen.<sup>6</sup>

### The Mechanics Of Theft

Stealing the securities was remarkably easy during this era. It's probably not much more difficult today. The uncontrolled volume of valuable paperwork floating around in brokers' offices almost invited a thief to carry some of it out in his attache case.

This was theft by stealth, not force. The majority of the thefts did not involve violence of any kind, and for this reason often were not even discovered until much time had passed. This was an advantage for the thief, because it avoided the danger of the stock's being on a "hot list" of any sort.

The consensus was that the perpetrators were low-level employees, but this isn't necessarily true. In keeping with the pattern of corporate crime, the worst criminals are not the small people, but the big ones who want to get bigger. What is clear is that the ones who got caught were the low-level people. The big thieves were better able to cover their tracks. They had better opportunities to make off with certificates without being questioned by security officers, and later to manipulate accounts to delay discovery of the shortages as long as possible.

Another aspect is developing contacts. The low-level employee simply doesn't have the contacts needed to dispose of his stolen paper profitably. He's forced to sell them to a "fence" at a very low percentage of the face value. The senior brokerage executive can place the stolen certificates in foreign brokerage houses, banks, or accounts because he has the contacts.

### The Role Of Organized Crime

"Organized Crime" is a legend in its own time. Whether or not it even exists is open to dispute. Perhaps the best comment on it was from an anonymous police captain who said that whether it exists or not depends on how you care to define it.<sup>7</sup>

Well, then, let's define it, and perhaps we can then see whether or not it exists. Let's forget about a particular ethnic group. We've all seen the TV and movie Mafia, with swarthy, dark-suited men making offers that can't be refused, "going to the mattresses," etc. This is factual, but limited. This is a representation of the lowest level of organized crime, one step above street hooligans.

The higher level of organized crime in America is largely non-violent, because "the pen is mightier than the sword." This is true not only in relations between nations, but in crime as well. We've already seen that con men, who steal by deceit, earn more money with less risk while keeping their hands clean, than muggers who have blood up to their elbows. Therefore we can define "organized crime" as any conspiracy, consortium, or organization that does something illegal, regardless of ethnic affiliation.

While it's true that low-level employees were able to steal securities that amounted to hundreds of millions of dollars, disposing of this paper was not a low-level effort. This is where organized crime came into the picture. To make the theft worthwhile, the paper has to be convertible to something easily negotiable.

We sometimes call securities "negotiables," but that merely means that it's possible to convert them to cash by selling them on the stock market. For a thief to convert them to cash, he must sell them to a "fence," who in turn has methods of converting them to cash.

### Converting Stolen Securities To Cash

There are four channels for converting stolen securities to cash.<sup>8</sup> One is resale through "legitimate" brokers. Despite the quotation marks, these are respected and established firms. In the race to turn over a quick profit, many of these firms simply didn't check out stocks and bonds that they received from questionable sources. Although the chairman of Merrill Lynch started a policy of scrutinizing closely questionable securities, his was an unusual effort, and other brokers either weren't as careful or turned a blind eye to the provenance of the stocks they turned over for their clients.

Another method is using the stolen stocks as collateral for bank loans. Apparently banks aren't as careful when accepting paper to secure a loan as are the brokers who have to sell it openly. That is why this is the easiest and most widely-used method. Banks have also accepted counterfeit certificates as collateral, as we've seen. Sometimes the bank officer involved got a kickback for approving the deal.<sup>9</sup> Again, the willing confederate is an old and established "institution."

Exporting securities for conversion is the third method. Many foreign banks are careless about the provenance of their paperwork, and will accept stolen securities without checking, place them in a trust account, and issue a letter of credit on them. Unless the certificates were already on an Interpol "hot sheet," the stolen securities fence was home free.

Insurance companies, another type of old, established American business, offered a fourth opportunity to dispose of stolen certificates. Acquiring the certificates enabled the insurance company to increase its paper "assets" and satisfy stockholders.

This makes it clear that stealing securities would be useless unless there already existed an eager market for them. The market was composed of people in high positions with old and established firms, who were willing accomplices to the criminals because they were chasing the fast buck.

The people in these old and established firms were also less likely to look too closely when the person seeking to sell the securities happened to be highly-placed himself. A high executive could easily ask an old school friend to accept stock, and to "keep it quiet" because of an impending "deal." Manipulations of this sort are common, because part of American business life is "takeovers" and other exercises that require secrecy.

### The Future

Although there have been some protective measures taken, the picture is bleak. Computerizing operations makes it more difficult to steal and dispose of mere paper. On the other hand, electronic stealing is a new field, and one that's already being exploited by fast-buck operators. At the moment, securities seem safer than they were a decade and a half ago, but that may be simply because the latest round of thefts hasn't been discovered.

### NOTES

1. The Theft and Disposition of Securities by Organized Crime, William C. Mullan, Huntsville, TX, Institute of Contemporary Corrections and the Behavioral Sciences

- ces, Criminal Justice Monograph volume VI, No. 4. 1975, p. 14.
2. Ibid., pp. 13-16.
  3. Ibid., p. 25.
  4. Ibid., p. 17.
  5. Ibid., p. 14.
  6. Ibid., p. 22.
  7. The American Mafia-. Genesis of a Legend, Joseph L Albin, NY, Appleton-Century-Crofts, 1971.
  8. The Theft and Disposition of Securities by Organized Crime, William C. Mullan, p. 28.
  9. Ibid, p. 30.

## SO YOU WANT TO BE A WRITER?

The extensive rip-offs practiced upon people who aspire to be writers have already gotten brief treatment in The Rip Off Book, Vol. 1.<sup>1</sup> Those few pages gave a once-over to the scams that fleece those who think they have writing talent, by the operators of "writer's schools" and vanity publishers. This is a subject to which it's worth returning, for several reasons.

(1) The author is a successful free-lance writer who has been through the "school of hard knocks," and whose personal experience qualifies him to inform others.

(2) Among the many readers of this book are surely some who have serious ambitions of becoming writers. They can benefit from realistic advice.

(3) The usual publications dealing with the subject, such as the crop of writer's magazines, simply don't tell the truth. Neither do writing instructors in most schools.

(4) There's a quiet conspiracy among writer's magazines, literary agents and critics, editors, and publishers to hide the truth from aspiring writers. Many lie to writers, they lie to each other, and some even lie to themselves. They don't like to hang their dirty laundry out in plain sight. The result is that even if a person succeeds in learning to put an article or book together, he'll face serious odds against getting it published, and even greater odds against earning a living at it.

In this chapter, we'll look at the writing picture as it's painted, and compare it with the way it really is. You will probably find reality disappointing, but if you ignore it, you can wind up spending a lot of money and still be disappointed.

## The Come-Ons

We see advertisements for writer's schools and vanity publishing services in many magazines, not only those devoted to writing. These businessmen are out to snare as many clients as they can, and therefore spread their inducements as far as they can. The ads promise several things: (1) Instruction in writing skills; (2) Guidance by experienced professional writers; (3) An opportunity to earn a lot of money with relatively little effort; and (4) Fame and fortune in a glamorous occupation, one with almost unlimited opportunities.<sup>2</sup>

The reality is quite different. The main problem is finding a market for what you have to sell. Many people who want to become writers feel they have a talent for fiction and poetry, the "arty" branches of writing. Few set out to become non-fiction writers. Perversely, the opportunities are exactly in reverse order.

## Poetry

Unpublished poets are plentiful. This field is so crowded in relation to the demand and that hardly any of those who write poems find outlets for them.

The reason is that poetry is the closest to pure art in writing. It's all a matter of "likes" and "dislikes." One man's meat is truly another's poison in poetry. There are no brownie points for technical skill. A poem can be a commercial success, even though it's disjointed and ungrammatical. It doesn't even have to rhyme.

This is why there are some small poetry magazines and books that accept poems if the contributor buys a copy. These are subsidy publishers, and the operators know they'll never sell any substantial quantities in bookstores. They therefore depend on their contributors for income.

## Fiction

This is the second-worst opportunity for writers. It seems that a lot of people think that they can write the "Great American Novel," or have had extremely interesting real-life experiences that they can relate in fictional form. This may be, but the odds of translating the dream into reality are poor because the competition is very stiff in the fiction market.

This market is not as limited as is the one for poetry. There are definite demands for certain types of writing. Apart from the "mainstream" novels, that is, the big-name novels, there are "genre" markets. The word "genre" is French for "type," and this is a good example of the pretentiousness we find in writing. Dressing something up with fancy or obscure words is a typical writer's trick.

One such "genre" is the "macho" school of writing, such as the Executioner series. These are modern-day super-heroes who struggle mightily against the Mafia, international terrorists, and other evil persons.

Another example of "genre" is the espionage novel. Few of these are written by people with any real background in espionage. A couple have worked in back-room roles with intelligence agencies twenty years ago, but most of these writers are simply novelists who copy each other's themes.

A third, which has been with us much longer than the other two, is the crime novel. These are, like many other genres, mostly totally unrealistic fantasies. The writers typically are completely ignorant of the true world of crime. It's hard to imagine the successful novelists as being experienced in crime. Sir Arthur Conan Doyle, creator of Sherlock Holmes, was a doctor, not a thief. Nor was he ever a detective. Dorothy Sayers and Agatha Christie were not murderesses. Mickey Spillane was never a gangster. This is why we see the same errors, such as a safety or a silencer on a revolver, repeated in one crime novel after another.

Most of these novels are written by a small number of people who got in on the ground floor of a trend because they had the right contacts. Many of the "genre" novels are very poorly written, which might lead you to suspect that you could do better. If you think so, you're probably right. However, they're already there, and there's no room for you. They have the contacts. You don't.

## Non-Fiction

This is the least glamorous, but most secure field, with the best entry-level opportunities. However, nobody advertises the chances of success in non-fiction precisely because this field lacks glamour. Some examples of non-fiction are medical writing, travel, guns and ammo, baby magazines, and financial news.

There are only two basic skills needed for non-fiction writing. These are knowledge of the subject and the ability to write coherently and smoothly. These may seem simple requirements, but they can lead to many complications. An article on African tribes, for example, might require travel to Africa to get the material first-hand. The publication may not be willing to pay the freight, which is why so few people write on that subject. An article on how to choose a pair of binoculars requires some knowledge of optics.

Writing articles free-lance for magazines is what one type of writer does. The other type is the salaried writer, either on the staff of a magazine or working for a company that needs his services. He may be a technical writer, employed to write the operator's manual for a washing machine or a computer.

The salaried magazine writer is on the staff, and collects a paycheck every week. He's typically overworked and under-paid. His editor expects him to review and edit manuscripts, as well as write some articles himself. He's usually "on salary," paid by the week or month regardless of the hours he puts in.

We also have to consider the news reporter. He may work for a newspaper or news magazine, but his craft's a highly-specialized one. Most aspiring writers don't have this in mind, preferring to see themselves as free-lancers.

There are several ways of becoming a news reporter. The most common is to go to a journalism school, where you take four years to learn what should take only about six months to teach.

Luck

This is the word you never see in any of the advertisements, and you never hear it in college writing classes. It plays a large part in determining success. The reason you never hear this word is that it isn't flattering to writers. A successful writer likes to have people think that he did it on his own ability, because of his polished skill with words. Writing schools prefer that the prospective student believe he needs them to help him develop his skill. The basic premise would be meaningless if they admitted that luck's important, which is why they carefully ignore it.

However, in the real world, luck plays a major part. Luck is making the right connection at the right time. Luck is finding the right publisher for the manuscript at a time when he's in a receptive mood. One applicable word is "contacts." Luck is having an article that's timely, or a book that rides a trend. This goes beyond the trite advice to analyze the market and tailor your product to the demand.

Bad luck can influence a writer's future. Bad luck can account for a rejection. A writer can send in an excellent manuscript, but if the editor's received a similar one the week before, he won't have any use for the second one.

Writing Schools

There are all sorts. Many people who attend college have the chance to enroll in a "creative writing" class, supposedly to learn the craft. These are utterly legitimate schools, free of the huckstering of the store-front schools, but they have their problems.

The first is with the instructors. How well qualified are they? The most obvious question is why anyone who truly knows how to put together successful novels would waste his time teaching, which is a low-paid occupation, when he could be writing best-sellers and earning big bucks.

Another is with the writing theories. It seems that every instructor has his pet theories regarding what makes a good piece of writing. Some emphasize plot. Others feel that developing characterization is important. There are many ways of setting up a "plot line," and each instructor has his own theory.

It becomes really interesting when a student turns in a piece of writing to his instructor. The instructor returns it, edited and with corrections and comments in the margins. Sometimes these are valid. Occasionally, however, a clever or playful student will turn in a passage he cribbed from a successfully published author, and find that the instructor's torn it apart.<sup>3</sup>

The basic fact is that the only education worth getting is a good grounding in spelling, grammar, and syntax. This is available in high school for the

student who is interested and alert. College provides a refresher course, and perhaps a crash course in writing "style." Style is merely putting words together skillfully, to tell the story in an interesting way and without wasting words. William Strunk's book, *The Elements of Style*, published in numerous editions by Macmillan, is the best on the subject, mainly because it's short and to the point.

Unfortunately, writing to sell is not something that can be taught. Many who major in English in college don't go on to become writers, and many writers have little or no formal education in their craft.

Correspondence schools as a group have a particularly poor record. A survey of professional writers showed that none had taken any correspondence courses in writing.<sup>4</sup>

#### Writing Aptitude Tests

These are flagrant rip-offs. They purport to test your writing aptitude, and indicate whether or not you have a latent skill that can be developed, with the help of the school, of course. Over the years, I've sent a few of these in, diving-bombing my answers so that I presented a picture of total lack of ability. The answers were always the same. The school's director wrote me a letter telling me that at my performance on the test showed that I had great "promise," or "latent talent," and that his course would help me develop it.

My experience might be a series of flukes, but I'm not the only one who's done this and gotten the same results.<sup>5</sup> This isn't surprising, because the school would be turning away business if it told anyone that he or she were totally unqualified to write. This is why these tests aren't scored honestly.

#### The Fees

Correspondence schools are in it for the money, and their methods of collecting are better thought-out than their courses. Typically, there's a contract to sign, an ironclad one that doesn't allow a student to drop out without paying the full fee. Some are even third-party contracts, with the signer owing money to a bank or finance company.<sup>6</sup>

What does the student get for his money, which can easily amount to the better part of a thousand dollars for "tuition?" He gets a canned and stereotyped course, writing assignments, review and criticisms thereof, additional written materials, and a diploma. Despite the promise of personalized instruction that some schools offer, it's hard to see how any correspondence school can offer the same face to face instruction that is obtainable in college.

## Brainwashing

The aspiring writer who doesn't take such a course, but subscribes to one of the amateur writer's magazines doesn't escape scot-free. While the price of the subscription is modest compared to the "tuition" the schools charge, the misinformation he can absorb is serious. These magazines always present the same cheery, optimistic picture of success in writing, with nary a word about the many frustrated writers who send out query after query, and get back one rejection slip after another. Briefly, the picture they present is this: "You can make it if you try."

"The way to try is to follow the advice of the famous writers who write articles for this magazine. They'll tell you their tips' and pass on 'inside information' to help you succeed."

"You start by sending a magazine a 'query,' a letter and one-page outline of your proposed article. Enclose a stamped, self-addressed envelope, of course. Wait for a reply."

"You get back a go-ahead, and away you go!"

"All editors are basically, honest, decent people, charged with the onerous responsibility of weeding out inept writers and their manuscripts, and they do the best they can to be fair."

"Don't be discouraged if at first you don't succeed. Keep churning out those queries and licking those stamps. Persistence pays!"

"You can get some additional help by buying books on the techniques of writing through the magazine's book club, which features books of interest to writers every month. Learn from the pros! Their sure-fire techniques will work for you! Send in your checks!"

Hey, There Are Sharks Out There!

Once the aspiring writer decides to go ahead, he'll find that his problems are just beginning. Graduating from a writer's school isn't enough, nor is subscribing to a writer's magazine. They all tell the same lies. They all deny that writing for a living is like walking through a mine-field.

The first problem is with regard to the chances of being accepted. The competition is fierce. The sheer volume of manuscripts is huge. Let's look at some figures. These are a few years old, and we can infer that the picture's worse today.

Saturday Review gets 400 to 600 poems a week. 27,000 article manuscripts come to Atlantic Monthly each year. National Geographic gets 120,000 color slides each year.<sup>7</sup> These outlets don't publish that volume, of course. Most of the submissions never see print. You never find a hint of these discouraging odds in the writer's magazines or in the literature that writer's schools send out.

This volume of unsolicited work arriving in the mail implies something else-most of it never gets read. Some magazines never even reply to a query by anyone unknown. The editors simply don't have the time. This is one reason why the advice to include a stamped, self-addressed envelope is worthless. Editors who want to reply will do so, paying their own postage. Those who don't reply will throw your letter and stamped envelope away.

At this point, you might wonder how anyone can have the heart to throw away someone's manuscript without even taking a peek at it. It's easy. Editors can become amazingly hard-boiled after seeing many worthless manuscripts.

This is why some graduates seek short-cuts, and additional help along the way. Some respond to ads for "literary agents." Some of the literary agents listed are legitimate. In fact, the schools and magazines urge their readers to use agents, citing the advantages of having someone in your corner who knows the ins and outs of negotiating tortuous contracts with tough-minded publishers.

Literary agents can give their authors good representation, but they get flooded by bad writing as aspiring but inept writers pin their hopes on them. Many have stopped advertising, as their ads simply brought in literary "junk mail." Agents can sell only manuscripts that are saleable.

This is what's brought about the spurious literary agent, and the agent who reads-for-a-fee. This came about originally in self-defense. Agents couldn't afford the time to read everything they got. They started charging fees to read manuscripts by previously unpublished authors. Others set themselves up as "agents," and solicited manuscripts, on the proviso that each manuscript be accompanied by a check. The fees run between \$50 and \$300. Payment gets you a reading (you hope) and some suggestions and criticisms scribbled in the margins.

If you send your manuscript to one of these killer sharks, you can expect to get it back again and again, with more suggestions for revision. They'll continue to milk you until you either wise up or get tired of it. Remember, these people aren't out to sell manuscripts; they're out to collect reading fees.

#### Subsidy Publishers: Classic Rip-Offs

There's no need to waste much time with these. A subsidy publisher is one who'll publish your book as long as you "front" the money to cover costs. He typically pays much more generous royalties than trade publishers. He can afford to pay generously, because you've paid his costs. The difference between the ethical subsidy publisher and the shady one is the degree of false encouragement provided.

Some simply state that they'll re-work your manuscript, set it up for publication, and oversee production if you pay the costs. Others go overboard to tell you that you have great talent awaiting recognition, and that your book's bound to be a success once properly presented to the critics and dealers. Some go as far as to set up literary "parties" for you, at which the critics and dealers can meet the author (you) and even get him to autograph a copy of the first edition!

Such a party is a rip-off. First, you pay the bill for the booze. Secondly, most real literary critics don't attend. They have no time for such foolishness, because they know that subsidy publishers rarely publish anything worthwhile. Instead, a gaggle of free-loaders come to the party to tank up on the free booze. These people couldn't do you any good, even if they intended to. However, some might ask you for your autograph.

With all that, why do subsidy publishers continue to enjoy such success? One very important reason is T.L.C. This is Tender, Loving Care. Trade publishers often are slow to answer writers, and when they eventually do, their letters are laced with thinly-concealed contempt. This is even more true for magazine editors. By contrast, subsidy publishers send prompt personal replies instead of photocopied form letters. This makes an impression, and is a powerful tool for getting the sucker to give up his dollars.

#### Magazines: The Real Story

The magazine publishing world is stacked against the author, simply because of the law of supply and demand. At the outset, it's extraordinarily difficult for a newcomer to break in. Magazines usually have all the writers they need. Each ma



gazine typically has a "stable" of writers, regular contributors who are known quantities to the editors. They get the bulk of the assignments, simply because they've proven themselves to be competent and dependable. An editor has no incentive to take a chance on a new author when he's got all he needs already.

This explains why some magazine editors won't even answer your queries, no matter how many you send, how good you are, or how many stamped envelopes you enclose. They give the business to their regular authors, who sometimes are also personal friends. The "old boy network" is very powerful in some areas, utterly closed to outsiders.

At the outset, you ought to be aware that magazines pay two ways. Some pay upon acceptance, which means that once the editor decides he likes your manuscript, you get a check. Others pay upon publication, which means that you can wait from two months to two years for payment. This is less desirable, but those that pay upon acceptance are few. With the overload of authors, you're in no position to complain.

When your query or manuscript gets you a rejection slip, it doesn't necessarily mean that it's bad. There are other possibilities. Here are a few of them: (1) The article may have already been assigned to another author, or the editor may have a similar one in his file awaiting publication; (2) He may just be overloaded with manuscripts; (3) He may be satisfied with the authors he already has, and there's no room for you; (4) He may simply be wrong, or exercising poor judgment. The evidence of this shows when an article rejected by one editor is picked up eagerly by another.

#### Editorial Traps And Rip-Offs

There are some traps to avoid. Some come about simply because of ineptitude. Some editors are incompetent, just as in any occupational group. Others are dishonest.

A few editors give out definite assignments. If they don't use the manuscript, they pay the author a "kill fee," a sort of consolation prize. Most accept manuscripts only "on speculation" which means that they commit themselves only to look at it, not to accept it. This is dangerous for the writer, but he's in no position to complain.

Beware the editor who okays every query you send him, and builds up a huge backlog of your work. This can be a critical problem if he pays upon publication, not upon acceptance. The editor sits on your manuscript, which means that he ties it up, keeping you from placing it elsewhere.

Some editors encourage authors to send in all they can. If they pay only upon publication, the author does all the work and takes all the risks. He has no assurance that it will be published. The greatest danger in this is that, instead of competing against other authors, the author who sends in too much material starts to compete against himself. He inevitably loses out in this game.

Some editors steal ideas. This was the subject of a major article in *Writer's Digest*. The article's author stoutly denied that editors ever steal ideas, but the reality is quite different. If ever you send in an article, and find it rejected at the same time that a suspiciously similar article appears under the editor's name, you'll have good cause to be suspicious. This happened to me once.

Some editors follow a practice that's not illegal, and that some would say isn't even unethical. However, the author gets hurt. The editor assigns a theme to two or three authors, knowing in advance that he can use only one article. When he gets them in, he makes his choice and returns the others. The problem here is t

hat there are bound to be losers. Again, I know about this because it happened to me. You won't find a hint of this in the literature put out by writer's schools.

Beware of any magazine that advertises for authors. This is usually a tip-off that there's something wrong, and that the publication's having trouble keeping the authors it has. Usually the reason is unfair treatment of authors. Again, I speak from experience. Two magazines which advertised for authors turned out to be serious problems. The editor of one stole ideas. The other was simply too hard to please.

#### What You Can Do

If you think you have some writing talent, don't be pessimistic, but do be careful. Be especially careful about laying out money. Keep in mind that all of the material you can get from a writer's school is available free at your local public library. This might surprise you, but English is not a restricted, top-secret subject. There are absolutely no writing "secrets" that will assure you success. It's all in the public domain.

Be realistic about your talent. You may have real ability. Again, you may not. Don't make the cardinal mistake of deciding one day that you're going to be a writer, quit your job, and start sending out queries and manuscripts. The odds against your success are overwhelming. The odds against immediate recognition are almost impossible.

Resign yourself to the overwhelming probability that you won't be able to earn your entire living writing, contrary to the promises of the writer's schools and magazines. Most authors need to work at least part-time at another occupation to make ends meet.

If a local community college offers writing courses, take one or two. It can't do any harm, and you may learn something worthwhile. More important, though, is to make sure that you've first learned the nuts-and-bolts of writing. Grammar and spelling are important, and there's no short-cut around them.

Another point to watch is neat work, it's hard enough to compete with neat and attractive manuscripts. Sloppy manuscripts with words XX'd out and misspellings will hurt your chances of acceptance.

When you start sending out queries, send only one or two to each publication. There are some, where the door's closed because they have their stable of writers, and there's no room for more. Don't waste your time with these. Move on!

A good move that costs you little is to send a letter to the editor commenting on an article in a recent issue. This should be a complimentary letter, or one that provides some additional facts on the subject. The letter will get the editor's attention and if he prints it, you'll have a foot in the door. This is how I got started with one magazine. In fact, the editor phoned me, after he'd printed several of my letters, to ask if I would write articles for him.

If ever you get a chance for a personal introduction to an editor or publisher, take advantage of it. It may not pan out to anything, but it can't do any harm, unless you chew his ear off about your talents and how he's making a mistake by not accepting everything you write. Be discreet. Contacts usually help.

Be flexible. You may get a chance to write a book or article about hog feeding. This may not interest you, but if it pays, it's a start.

Ration your articles out. This may not be a concern when you're starting out and

you feel it's a major accomplishment to get an editor to accept even one. You do, however, want to get paid, and you need to know how an editor treats you before you make a major commitment. Some pay slowly. Other simply sit on manuscripts. Yet others keep them for a year, then return them. Feel your way with each one.

Another reason for spreading your work around is "diversification," a buzz-word in business. This simply means not putting all your eggs in one basket. Freelancing is insecure enough without giving one editor or publisher the power of life-and-death over your income. It also helps you if an editor sees your work published elsewhere, because it tells him that you're in demand, and not completely tied to him.

You especially want to know if the publication's playing any pernicious games with you. How much do they pay? How quickly? How do their fees compare with others in the field? Do they sit on your manuscripts for an unreasonable time?

Don't accept any rejection slip as the final word. If it's a form letter, throw it away and send your manuscript to another publisher. If the rejection's personally written, scan it carefully and try to judge whether the writer's objections are valid, or just a reflection of his personality. Decide whether you should revise your manuscript before sending it elsewhere.

Handle rejections using the "rule of three." Wait until a manuscript's been rejected three times before abandoning it. If three editors think it's bad, they're probably right.

With books, three rejections are not enough. Publishing a book's a bigger investment, and book publishers are more cautious than magazine editors. You may have to make the rounds with your book manuscript a lot longer.

Above all, be careful! Don't let your ego get in the way and push you to laying out money in a fraudulent scheme just because you want to see your work in print.

#### NOTES

1. The Rip-Off Book, Victor Santoro, Port Townsend, WA, Loompanics Unlimited, 1984, pp. 84-86.
2. Writing Rackets, Robert Byrne, NY, Lyle Stuart, 1969, pp. 13-30.
3. Ibid., p. 27.
4. Ibid., p. 28.
5. Ibid., pp. 31-40.
6. Ibid., p. 45.
7. Ibid., p. 18.

#### DIPLOMA MILLS

We've all seen the fake diplomas and marriage licenses sold in novelty stores. They're for fun, but some fake diplomas are "for real." They're still not genuine, but they're used for serious deceptions.

With them, people can be accepted for employment for which they're unqualified. They can set up independent practice in some professions.

"Dr." Claude Pepper, Democratic Representative from Florida, recently bought a mail-order degree which states that he's a doctor of psychology, as part of his investigation into ways con artists cheat the aged. He estimates that there are about half a million phony degrees being used by people passing themselves off as

medical doctors and other professionals.<sup>1</sup>

While it's difficult to set oneself up as a medical doctor because of the licensing requirements in every state, it's possible to attain posts in other occupations with laxer standards. In many states, it's not necessary to have a license to practice psychology, for example.

Psychologists have succeeded in having licensing requirements passed in many states, much as the American Medical Association has gotten all states to pass licensing laws for medical doctors. The psychologists, like the doctors, use this as a way of stifling potential competition, not of maintaining "professional standards," whatever they may be.

However, there are some interesting loopholes in the licensing laws that cover psychology.

While such laws set up a category known as a "licensed psychologist," usually requiring a Ph.D. to qualify, there are other categories that enable anyone to set out a shingle without passing the licensing requirements. One is the category called "counselor." Usually, a Master's Degree is enough for this in most states that have laws pertaining to this category. The degree's enough. No license is necessary.

This is where the bogus degree comes in. These typically come from diploma mills, which aren't schools in any sense of the word. Often, there's simply an office, and some mimeographed course handouts. Claude Pepper stated that to get his degree, he had to do four book reports, send a list of 44 books he had supposedly read, and of course send \$1,810. According to Pepper, the address to which he sent his material and money had the name of a karate studio on it.

There's a difference between impersonating a real doctor and having a false degree. Impersonation means assuming the identity of a real person. This sometimes works, but it brings the risk of meeting someone who knows the real person and being exposed.

Faking it from scratch is easier in one sense. It eliminates the prospect of the past's catching up. Ferdinand De Mara, the "Great Imposter," impersonated a Canadian surgeon and performed surgery before a colleague exposed him. It turned out that the colleague had attended the same medical school at the same time, and had met the real doctor whom De Mara was claiming to be.

Assuming another's identity can also bring other troubles. It's important to check up on the person's background, and not unwittingly assume the identity of someone wanted for a criminal offense.

There are degrees of fraud and deception in diplomas. Some states permit diploma mills which grant diplomas in anything and everything, including medical degrees. Anyone wanting to practice as a medical doctor in that state must be licensed by the state board of medical examiners, but getting a diploma is legal, as long as the diplomate doesn't interpret it as a license to practice medicine.

There are two types of diplomas for sale. The first is the diploma for show, such as a medical degree. The buyer doesn't actually receive the training, and he understands this. He simply pays for an impressive piece of paper.

The other type is the diploma for real, in which the buyer thinks, or is led to think, that he's getting a real education. The "detective" correspondence schools fall into this category.<sup>2</sup> There are yet other courses by mail that purport to furnish adequate training but don't. In considering any correspondence school, it's important to ask whether or not the course is the sort that lends itself to

correspondence, or whether the subject requires "hands-on" instruction and personal supervision.

A trade requires hands-on instruction. There's reason to become suspicious of any course that offers home study in locksmithing, plumbing, or air conditioner repair. Other skills offered by bogus schools are aircraft mechanics, truck driving and maintenance, computer programming, and the cosmetic trades.<sup>3</sup>

It's often hard to check up on such schools. They're often in another city hundreds of miles away. There are some tip-offs, though. Probably the most significant one is a promise of employment after graduation. While legitimate schools have placement services for their graduates, they don't offer blanket promises or guarantees.

The legitimate college or trade school placement service finds employment for some graduates. Far from being lucrative, this employment is usually bottom-of-the-ladder, not surprising for beginners in the field. Newcomers can't expect to earn as much as experienced workers, and expectations to the contrary are unrealistic. Employers who accept graduates frequent the school placement service as a source of cheap labor. They know they can pick up hired help at low cost, and exploit their services until they find better-paying jobs.

Another important aspect is that there simply may not be enough jobs to absorb each graduating class, and some are bound to be left out. This is why a guarantee of employment is bound to be spurious.

Avoiding being ripped off by a bogus school takes only slight awareness. Anyone who buys a Ph.D. by mail knows that it can't be real, and he's as much a participant as the operator of the school. In one sense, he's being foolish, because he could save his money by paying a printer to crank out a fake diploma for him. It would be just as valid as that furnished by the operator of the "school."

The second category is the person truly seeking an education or a better-paying job. This person should beware of correspondence school ads that concentrate on lucrative employment or offer "free" tool kits. The only commodity a school has to sell is competent instruction. All else is either window dressing or a come-on.

The bottom line is the easiest to check out. If you're considering paying a correspondence school for training, take the ad to a businessman in that field, and ask him if he would hire you after you took that course. His answer will be revealing, although it might not be what you want to hear. If he's at all sympathetic, he might direct you to a legitimate school for that type of instruction.

The fake schools and diploma mills seem to be here to stay. Fortunately, they're relatively easy to spot, and to avoid.

#### NOTES

1. Cox News Services, December 12, 1985, article by Larry Lipman: "Lawmaker Condemns Bogus Medical Degrees."
2. The Rip-Off Book, Victor Santoro, Port Townsend, WA, Loompanics Unlimited, 1984, p. 80.
3. Fraud & Deceit: How To Stop Being Ripped Off, John W. Suthers and Gary L. Shupp, NY, Arco Publishing Co., 1982, pp. 54-55.

THE "TERRIBLE WILLIAMSONS"

The Williamson clan has become a legend in its own time, a prototype of criminal class and family. The prominence of this family is such that a class of swindle has been given its name, the "Williamson-type Swindle."<sup>1</sup> One source describes the "Williamson-type" swindlers as door-to-door canvassers who sell roof and driveway oil treatments. They use cheap oil, and claim that the treatment will protect against sun, weather, leaks, and other damages. They charge several hundreds of dollars for the treatment and give long guarantees, but disappear after "working" a town or neighborhood.

In exploring the extent of the "Williamson-type" swindles, we're going to run into some difficulties. Although there's no doubt of the existence of a family by the name of "Williamson" and of certain criminal activities attributed to it, "Williamson" has become a generic term. Any swindle of this sort is called a "Williamson-type" swindle, whether or not it involves anyone in the Williamson clan.

## The Clan

The story allegedly started around 1895, when Robert Williamson came to Brooklyn from Scotland, accumulated "hundreds of relatives," and started fleecing his fellow citizens with an assortment of cons.<sup>2</sup> At first, in the era before the First World War, the Williamsons sold shoddy goods, from fur coats to Persian rugs, material of low quality which they peddled door to door at inflated prices. Supposedly, the Williamsons soon moved to Cincinnati, and have remained centered there ever since.

At the moment, there are supposedly about two thousand Williamsons preying on Americans, according to one source. The remarkable thing about this story, though, is that they remained unknown to law enforcement authorities until 1938, when allegedly an honest member of this extended family blew the whistle on them by alerting the Pittsburgh Better Business Bureau.<sup>3</sup>

With all the attention given to the Italian crime "families," the Williamsons have been relatively in the shadows. Perhaps part of the reason is their main activities have been non-violent. A sorry swindle just doesn't generate headlines as does a machine gun slaying. Another reason is the fragmented nature of American law enforcement. Only during the last couple of decades has there been a serious effort at a national data bank of criminal information. The net result has been that law officers in one part of the country are unaware of related crimes in another. Sometimes their awareness ends at the city line, which enables traveling criminals to make fresh starts in all the jurisdictions they penetrate.

Yet another reason for the relative lack of attention is that many "Williamsons" have other names. They generally intermarry and carry other names of Scottish derivation, such as Reid, McMillan, and Johnston. Because crime information and personal criminal records are invariably keyed to names, this dilutes the attention on they get, even with the computerized record-keeping we have today.

## Lifestyle

The Williamson lifestyle is apparently gypsy-like, because their method of operation requires a nomadic existence. They travel from town to town, usually selling shoddy home repair and home improvement jobs. They thoroughly canvass a town, covering as many houses as they can, do the jobs, collect the money, and move on as quickly as possible. This is necessary because the shoddy quality of their repairs and improvements usually becomes apparent with the first rainfall. The "hit and run" tactics have been very effective in preventing interference by law enforcement officers. By the time lawmen become aware of their presence in a particular jurisdiction, they're already gone.

The goods they sell vary from town to town and from year to year. Among them hav

e been fake lightning rods, house paint jobs, driveway waterproofing, and various dry goods, as noted before.

Their mode of travel is typically by road. There have been reports that they travel in luxury cars such as Cadillacs, and also that they use pick-up trucks. The apparent contradiction is perhaps explainable by the need to do home repair business from suitable vehicles, and pick-up trucks fit the need perfectly.

### Organized Confusion

Legends are unreal. The Williamsons are excellent proof of this. We've seen that one estimate of their number is two thousand. Another authority estimates that they number only three hundred.<sup>4</sup> They allegedly are gypsies, and part of the "Nawkins" clan.

Identifying the Williamsons is largely impossible because it is an extended family. A person may be part of the Williamson clan without bearing the name. Another difficulty is that law enforcement officers are also vulnerable to professional hysteria, and sometimes attribute to notable criminals, crimes that they did not in fact commit. During the early 1930s, John Dillinger was accused of committing many more bank robberies than he actually did. It wasn't until after his death that the affair got partly sorted out, but even today Dillinger's legend has credit for more crimes than he could possibly have committed.

In the world of crime, there are no patents, and a successful con scheme is always open to imitation. This brings up the prospect of an unaffiliated person or group carrying out "Williamson-type" swindles, and being falsely labeled as such by police. Unsolved crimes are always open to speculation, and the mobile swindles of the "Williamson" varieties are usually unsolved.

The "Williamson" family and its swindling practices offers us an introduction in to the closest we have to a genuine "crime family" in this country, the Gypsies.

In the next chapter, we'll look into an ethnic group that has led a remarkable underground existence in this country. The Gypsies are usually on the edge of the law even in their daily activities, and often transgressing the law in their ways of earning a living.

### NOTES

1. Total Self-Protection, Richard Rowe and Joyce Mailman, NY, William Morrow and Company, 1979, pp. 82-83.
2. Hustlers & Con Men, Jay Robert Nash, NY, M. Evans & Company, 1976, p. 224.
3. Ibid., p. 225.
4. Gypsy Lifestyles, John B. McLaughlin, Lexington, MA, D.C. Heath Company, 1980, p. 9.

### THE GYPSIES: CRIMINAL LIFESTYLES

At the outset, let's note that despite the title of this chapter, not all Gypsies are criminals. There are non-conformists in every group, and, as we've seen in the previous chapter, it was a member of the Williamson Gypsy clan who first alerted law enforcement officials to the criminal activities of his relatives.

Typically, Gypsy criminal activity consists of swindles. This doesn't mean that Gypsies never become violent. They can be very violent in disputes among themselves, but their modus operandi when earning a living tends towards cunning, not violence.

The second major point to note is that most of our information about Gypsies is

uncertain. Gypsies have been romanticized by Hollywood, and the subject of novels and short stories. Typically, these don't reflect the real picture, but the authors' imaginations.

There are several clear and definite reasons why Gypsies are a mystery to us.

(1) Secrecy. A major part of the Gypsy culture is secrecy. This is a culture that revels in secrecy and uses it as a major weapon against "outsiders." There's a general code of silence, like the one attributed to Italian organized crime. Part of the practice of secrecy is the creation of disinformation, such as the legends of Gypsy kings, to fool outsiders.

(2) Xenophobia. Gypsies hate and fear non-Gypsies. They call an outsider a "gadjo" and consider him unclean and less than fully human by their peculiar definition. Gadjos are legitimate prey according to the Gypsy way of thinking, because a gadjo can never be the equal of a Gypsy, and can never get the same consideration a Gypsy can.

(3) Mobility. Gypsies are nomads. This is partly because they never "fit in" with any society, but tend to wander from one locale to another. Another important reason for this mobility is to stay one step ahead of the law. There are exceptions. Some Gypsy groups are relatively static, and gravitate around fixed headquarters.

(4) Clannishness. This goes along with xenophobia, and has profound effects. Gypsies are, in principle, forbidden to marry outsiders. They don't accept outsiders into their confidence, either.

(5) Ignoring official requirements. Most of us use only the names on our birth certificates. Assuming other identities is usually allied with criminal activity. With Gypsies, it's part of their culture. Each Gypsy has at least three names, as a start. The first is a secret name, told to him by his mother when he's old enough to understand its significance. The second is his Gypsy name, by which he's known among his fellows. The third is his "street name," which can be an Anglo-Saxon name that is very ordinary in this country. Some names that have been used by Gypsies are Williamson, Williams, Frank, and Waldrop. Many Gypsies have several such names.

One reason this is easy for Gypsies is that many have no birth certificates, being born "at home." Gypsies don't register births, any more than they pay taxes or register for the draft. Evading official requirements is part of their culture, and they consider the laws merely as obstacles.

## Gypsy Origins

There are between 50,000 and 1,000,000 Gypsies in this country.<sup>1</sup> The extreme imprecision of this estimate is because different sources use different methods of estimation, and because Gypsies themselves are extremely unhelpful in telling about themselves. This isn't only due to secrecy and deception, for in many cases they simply don't know.

Gypsies have no written history, and the only documented traces of them exist in other accounts. The earliest of these date from about the Fourteenth Century. At that time, they were reported around Paris, living the nomadic lifestyle and using palm reading and other fortune telling as ways to earn money.

The conventional wisdom of history tells us that the Gypsies suffered because of the intolerance of Europeans towards people who were different in culture and religion. Gypsies themselves will eagerly relate how they've been "mistreated" by the hated gadjo. The inquisition has served as a horrible example of religious



intolerance, yet it was not very widespread or efficient. Actually, most Europeans were more tolerant than otherwise, which is why the various minorities survived.

Inevitably, some Gypsies wound up in America, along with other immigrants. Their newly-adopted land proved more receptive to them than the countries from which they came. Unlike in some European countries, there are no internal passports needed here, and residents don't have to keep official identity cards on their persons at all times. It's not necessary to notify the police of any change of address, and travel is generally unimpeded, with no police I.D. checks at airports and railway stations.

### Gypsy Religion And Culture

Gypsy mythology, religion, and culture is a curious mix of other elements. Because Gypsies have no written language, all is handed down by word-of-mouth, and may vary from generation to generation.

Their beliefs regarding the origins of the universe somewhat resemble the account in Genesis.<sup>2</sup> Their beliefs regarding hygiene and their overlap with religion are similar to some Hebrew practices laid out in the Old Testament, especially the "unclean" status of women after childbirth. Their practice regarding diet and kitchenware, and that of keeping a separate set of dishes and utensils for gadjos bears a resemblance to the Hebrew kosher laws.

In other ways, their practice seems to have a superficial resemblance to the Roman Catholic religion. Children are baptized, and in fact many Gypsies are Christians.<sup>3</sup> There is, apparently, one group of Gypsies practicing a form of the Moslem religion.

Gypsies consider themselves members of different "races" because of different areas of origin in Europe. Generally, they think of themselves according to the country from which their ancestors immigrated to America, consistent with the practice of American immigration officials.

### Gypsy Organization Today

Gypsies organize themselves in groupings of different sizes, with very loose affiliations. The practical, operational grouping is what they call the "kumpania," which we can loosely call an "affinity group." It can consist of several families with a mutual social and economic interest. For our purposes, the "Williamsons" form a kumpania. A swarm of "Williamsons," descending upon a town, would consist of people with different names, but all engaged in the same swindle.

In many ways, Gypsies resemble other people. They don't dress colorfully in the headbands, earrings, loose blouses and high boots of the Hollywood Gypsy. Because their method of operation is using stealth and deception, their purpose is superficial camouflage.

Despite the superficial conformism, there are ways in which Gypsies differ from many other Americans, and which can serve as guides to detecting them. Many of these qualities and characteristics overlap with others, which makes detection of Gypsies somewhat uncertain. One or two characteristics are not definite identifiers by themselves, but only part of a pattern, what current terminology would call a "profile." The more closely a person fits the "Gypsy Profile," the more probable he or she is actually a Gypsy.

Along with many other people, Gypsies tend to be dark-complected, with dark hair and eyes. There are some blond, blue-eyed Gypsies, but this is rare because of their clannishness which frowns on intermarriage. Therefore, Gypsies tend to be

inbred.

In keeping with their disdain of official requirements, Gypsies tend not to send their children to school. Gypsies also have been illiterate by tradition, as even their language is verbal, not written, and they keep no records or written history. Gypsy laws are also verbal hand-me-downs. Illiteracy is a characteristic shared with millions of other Americans who are not Gypsies, but along with other features can help to distinguish Gypsies.

Gypsies either aren't affluent or don't display it by sumptuous residences. They generally live in working-class or lower-middle-class neighborhoods. Many are nomadic, and don't live in houses.

Gypsies have a belief in an "angel of death," who they call "E Martya." They believe that the angel peers through windows before striking someone dead, and therefore keep their windows heavily curtained to impede the angel of death.

Nomadic Gypsies have no fixed address. They live out of a camper, trailer, tent, or suitcase.

Palm reading, or other fortune telling, is how many Gypsy women earn a living for their families, and often is the starting point for a swindle. This is a very good indicator, because as it works out, Gypsies have almost a monopoly on fortune telling.

Each Gypsy has his own set of dishes and utensils, which he doesn't share with others. The table is used only for eating, not as a repository for clothing or keys. In this connection, Gypsies loathe jail more than most, finding it very distasteful because they cannot dine in the manner they prefer, but in a style that they consider "unclean."

In the Gypsy culture, the cat is the dirtiest animal, and can pollute a house or tent by his mere presence.

As we've seen, Gypsies don't go for birth certificates, or putting their children through school. This results in their having no documentation and nothing that would stand up to a background check. While a Gypsy may have a driver's license, his birth certificate may be forged, or belong to someone who died in infancy. Any investigation of the sort required for a security clearance will quickly disclose that the person has no verifiable background. In the jargon of the trade, their I.D. is not "backstopped."

A police officer, upon arresting a Gypsy, will run his name through NCIC for a criminal history. Because Gypsies are prone to giving false identities, NCIC will usually not turn up anything. Only a more careful check, through fingerprints, and checking whether the Social Security number fits the name given, will disclose significant information, mainly the lack of "backstopping."

It's impossible to distinguish a Gypsy by name. Gypsies adopt names that fit in with the rest of the population, and as we've seen, the names they give are not their real, Gypsy names, but names they take for protective coloring. They often use aliases even of these.<sup>4</sup> Nevertheless, Gypsies tend to use the same gadjo names repeatedly, but because these are such common names, they're not reliable identifiers.

## Honest Labor

Some Gypsies work as migrant farm laborers. This fits in well with the nomadic lifestyle. Because payment is usually in cash, the nuisance of a tax return is easy to avoid.

Other Gypsies do metalworking. Some are itinerant coppersmiths, blacksmiths, or boiler repairmen. Some do itinerant auto body work. This may be good quality work or shoddy repair, and the quality of the work in relation to the price determines whether or not the client gets swindled.

A number of Gypsies are carnival performers. This fits in well with their need to be nomads. Some have trained animal acts; others have fortune telling concessions in carnival tents.

Some are horse traders. Some of these are honest, but most specialize in passing off sickly horses as healthy animals, or ordinary horses as thoroughbreds.

### Fortune Telling

Swindles based upon fortune telling are the traditional Gypsy swindles, although we'll see how they've branched out in recent years. Fortune telling and palm reading swindles are such that they would appeal only to the very ignorant or the very gullible, but there are enough such people in this country to make these profitable scams.

The first stratagem in fortune telling is "milking" the client. If the Gypsy notices that the client seems to have a serious personal problem, she'll close the first session at a critical moment, just before the client can unload the problem onto her, telling the client that she's sure she can help but that this will have to wait until the next session. This assures return business.

During the next session, the Gypsy asks that the customer join her in prayer, giving an opportunity to sell the client candles and other religious artifacts at inflated prices. By developing a good rapport, offering emotional support and reassurance, and fostering a dependency relationship, the Gypsy can keep a client coming back for more, just as a psychologist or "counselor" does.

The Gypsy can earn a greater profit if she can persuade the client that the problem stems from "dirty money" which she offers to liquidate for him or her. One trick is to persuade the customer to bring the money for disposal by burning. When the client does this, the Gypsy switches the money by sleight-of-hand, and burns a parcel of cut newspapers. Another way of getting the client's money is to persuade her to make a donation of it to a church. At the Gypsy's direction, the client places the money in an envelope, and they both go to a church, where the Gypsy places the envelope in the donation box, having switched envelopes along the way.<sup>5</sup>

### Auto Sales

Gypsies often "blitz" a town with an instant car lot. They rent a lot or gas station and put up signs. With a few newspaper ads, they stimulate business, without observing the formalities of permits and business licenses. When the authorities crack down, they can pack up and leave on a moment's notice. The usual police response is to issue a summons, but by the date of the court appearance, the Gypsies are long gone.

Their sales tactics are based upon those of crooked used car dealers everywhere. Buying old cars and "detailing" them to appear in better shape than they are is typical. If necessary, cheap repairs help make the car seem a better buy than it is. Thick oil masks worn valves, rings, and gears.

Gypsies also deal in house trailers. They buy several at the factory and use them for several months, keeping them in good condition. When they're ready to resell them, a Gypsy will tell the sucker a story to explain the need to sell a new

or nearly-new trailer. Often, the Gypsy can get an inflated price for the trailer if the sucker doesn't know the market.^6

#### Fraudulent New Car Purchases

Gypsies use, when possible, luxury cars for transportation. They often gain possession of them without paying the full price. One way is to assume the identity of a wealthy local citizen and hand over a cash down payment. If the salesman fills out the finance forms himself the Gypsy's illiteracy need not become apparent. If the salesman asks the "customer" to fill them out, the Gypsy tells him that he has a pressing engagement, and will bring the forms back filled out the next day. Upon return, the well-dressed Gypsy picks up the car. Any credit check run by the dealer will have reflected the credit rating of the real person whose identity the Gypsy assumed, and there's usually no problem.

The Gypsy can often avoid a credit check by arriving on a Friday afternoon, after banks close. This lets him use a totally false identity. With a cash down payment, he can often get the car on the spot, or the next day. With computerized operations centers and credit bureaus open through weekends, the prospects for this sort of scam are declining.^7

#### Home Repair Swindles

These are often simple copies of the scams used by other con artists. One is the gas leak swindle, in which an "inspector" arrives to conduct a furnace inspection. While there, he or an accomplice loosens a gas pipe fitting and points out the "gas leak" to the owner. The "inspector" tells the owner he either needs a repair or a new furnace, and refers him to a partner who makes the repair or installation. Sometimes the "inspector" offers to do the job himself, saying that he moonlights because of the low city pay. In some instances, the con artist collects a deposit and never returns.

If a victim is obviously vulnerable, he may be plagued by a series of "inspectors." If he accepts one fake furnace repair job without complaint, another "inspector" may show up to check his roof or wiring, again finding a defect which he fixes promptly for an exorbitant fee.

In some instances, people are vulnerable to the "surplus material" swindle. A Gypsy who tells a homeowner that he just finished a roof repair job nearby and has some tar left over can often persuade the victim that an offer to do his roof for a low price is a good deal. The problem comes with the first rain, which often washes the supposed tar off, because in reality it's only used motor oil.

Using motor oil in place of asphalt to re-cover a victim's driveway will work for a while, either until the first rain or when the victim starts wondering why the asphalt doesn't set and is still wet.

The fake lightning rod swindle still works in many parts of the country. Persuading homeowners that they need lightning rods is easy in a locale with many thunderstorms and an incidence of lightning damage. Selling the victim a job consisting of installation of lightning rods and guy wires made of silver-painted wood dowel and rope can bring a quick and dishonest profit.

#### The Discount Coupon Swindle

The Gypsy approaches the owner of a business that doesn't seem to be doing very well, and assumes the role of a promoter, promising increased business by offering discount coupons. He gets the owner's permission to print up a limited number of "discount cards" to distribute to drum up business. For this service, he charges the owner a modest fee. Once he has the owner's permission, he has many more

e cards printed up than authorized by the agreement, and sells them for a few dollars each door-to-door. If a suspicious potential customer phones the business to ask for verification, he'll get it. The Gypsy climbs into his Cadillac with his money and leaves town before the inevitable explosion.^8

#### The Worthless Merchandise Scam

There are many variants on this theme. One is to buy cheap watches or jewelry and hustle it to unsuspecting victims on the pretext that it's stolen merchandise.

A similar scam is for a truck driver to tell a potential victim that his company is very inefficient, always loading his truck down with extra, unaccounted merchandise, such as appliances. The driver offers to sell the victim a name-brand appliance such as a TV for far less than the usual price. The client sees a box with a brand name printed on it. Unless the customer insists on opening the box and inspecting the appliance before handing over the money, he'll be buying only a box filled with bricks, or an old appliance that doesn't work.

#### The Lost Object

The Gypsy can use almost any small object for this scam. One popular variant is for a well-dressed Gypsy to go into a store and feel in his pocket while speaking with a clerk. The Gypsy tells the clerk that he's missing an envelope containing valuable business documents, and asks for his help in searching for the envelope. They don't find it, of course, and the Gypsy leaves, first telling the clerk that the envelope was sealed, has a distinctive mark such as a company heading or his initials, and offers a cash reward for its return. He leaves his name and a telephone number at which he says he can be reached.

The second Gypsy enters the store a few minutes later. He pretends to "find" the envelope, but demands a reward. The clerk gives him a reward smaller than that offered by the one who claimed to have "lost" the envelope, but when he telephones the number given to him by the first Gypsy, he finds that the man is unknown, and when he opens the envelope, he finds only cut up newspaper.

#### The Carfare Scam

A Gypsy female, appropriately well-dressed, enters an office and asks for someone who she knows is not in. She claims to be a friend of his who lost her wallet or purse, and who is stranded without money for the trip home, usually far out of town and requiring several dollars for carfare. If she finds someone sympathetic enough to lend her a few dollars, she'll try to persuade him or her to lend her twenty or thirty dollars so that she can finish her shopping.

#### The Fake Blessing

Posing as a Latin American heiress, a Gypsy woman consults an attorney. She claims that she wants him to draw up her will. When the attorney quotes a fee, she tells him that she's surprised at how small it is, saying that lawyers in her country would cheat her by charging much more. In gratitude, she brings out a "good luck coin," offering to bless him and his possessions. She makes the sign of the cross over him with the coin, then tells him to take everything out of his pockets. With a lot of rigmarole, she even blesses his money, palming some of it during the process.

#### Gypsy Burglary Variants

Because forced entry is a crime in all states, and provides unequivocal evidence of intent to steal, Gypsies try to gain access by subterfuge. This often lessens the degree of the offense.

One way of doing this is for a Gypsy woman and two children to ask a householder for permission for one of the children to use the bathroom. The child goes to the bathroom, the "mother" engages the householder in conversation, and the other child wanders through the house, stealing whatever he can.

Another is to ask permission to use the telephone. Again, while one uses the telephone and keeps the owner busy, the other ransacks the house.

Gypsies start out young in crime. Two pre-teen girls ring the bell and pound upon the door frantically. When the lady of the house answers, they tell her they're being chased by a man they suspect of being a molester. While the woman tries to phone the police, or the children's mother, one of the girls steals the contents of her purse.

### Gypsy Shoplifting

Some Gypsies have creative ways of shoplifting jewels. This typical Gypsy scam requires a woman and a child. While looking at jewelry, she slips a valuable stone into the child's mouth, and he swallows it. If the clerk misses it, she and the child will submit to a body search after suitable protests. Once released, she takes the child home and feeds him bread and/or laxatives until he passes the stone.<sup>9</sup>

Another way of shoplifting valuables is to switch a cheap imitation for the genuine article. With this scam, there's no immediate shortage, and the Gypsy gets a way without a scene.

Another favorite way to shoplift, applicable to almost any commodity, is to enter the store with a number of children. Some create a disturbance while others pocket what they can. The mother can pretend to discipline the children creating the ruckus, attracting the attention of store employees. In some instances, another Gypsy will even enter the manager's office during the distraction, to steal cash.

Yet another way used by Gypsies is to enter the store and make a purchase. The clerk rings up the sale, places the item in a bag, and staples the receipt to the bag. Outside, the Gypsy removes the purchased item from the bag, folds it up, and gives it to another Gypsy. This Gypsy enters the store, takes another item of the same type off the shelf, and places it in the bag. With a bag and receipt, it's now easy to take the stolen item out of the store.

A Gypsy trick that works in a supermarket is for a woman to enter before the rush hour, and methodically fill her cart with food. At the checkout counter, she rummages in her purse, and tells the clerk that she left her wallet at home. She goes on to say that if the clerk will keep her purchases at the counter, she'll send her husband to pay for them. A while later, a man enters and starts pushing the cart out. Because of the rush, he can often do this without being noticed. If he's stopped, he can fake his way out by saying that he thought that the goods were paid for, and that his wife simply wanted him to pick them up.

A particularly creative method is for a Gypsy to play the part of a jealous husband. He goes into a store and asks the manager's permission to keep watch on a doorway across the street from inside, explaining that he suspects his wife of having an affair. If the manager agrees, the man posts himself where he can watch the doorway and from then on he starts his act. He'll shake his head, mutter to himself, and perhaps weep. After a while, he runs out of the store, shouting that he's going to kill her lover. The manager may or may not notice that a few items are missing, pocketed by the man while the manager was distracted.

## Gypsy Telephone Swindles

Because Gypsies are usually illiterate, they depend heavily on the telephone instead of the post office. A telephone is important to bring news of family conclaves and other activities. To avoid paying the deposit that the telephone company requires of new subscribers, the Gypsy will use several ruses, such as claiming to own the building, or providing faked credit references. If the telephone company does check these out, as occasionally happens, and finds them to be false, this doesn't stop the Gypsy. He simply applies again under another name.

Once the Gypsy has a phone, he'll run up a bill in long-distance calls and skip out when the phone company cuts off service because he hasn't paid it. Meanwhile, he can use the telephone for a number of scams. If he has the telephone in a company name, he can use it to verify employment references for fraudulent credit accounts or for verifying checks. A Gypsy who presents a payroll check for cashing can cite his "employer" as reference and a phone call will get another Gypsy at the end of the line who'll be only too glad to verify it. Collecting an unpaid amount is very difficult, as bill collectors get the "stonewall" treatment when they come in person to collect.^10

## Insurance Frauds

Gypsies play the same faked accident games that other con artists perpetrate. In many instances, an induced fall in a supermarket creates enough of a threat to the insurance carrier that the adjuster is only too happy to settle out of court. This gives the Gypsy a quick profit which would otherwise take an uneconomical amount of time to collect.

## Cheating On Welfare

Gypsies see the welfare system as merely another source of free money. In this enterprise, illiteracy is not a handicap. Gypsies are illiterate, but "streetwise," knowing enough about the welfare system and its procedures to be able to extract money by false filing under a number of categories, such as dependent children, old age payments, and handicapped support. The effort to con the welfare worker is total and persistent. To this end, Gypsies lie egregiously. The woman who applies for welfare will claim to be a deserted wife with children. As Gypsy families usually have children, presenting bodies to be counted is no problem. Because Gypsy men follow a nomadic lifestyle, they're often absent from home, supporting the story of desertion. Because they travel under false I.D. and the woman is also likely to file under a false name, tracking the alleged father down to oblige him to contribute to child support usually fails. If the husband happens to be home when the welfare worker calls, it's simple to pass him off as a brother or cousin. If this ruse fails, he pretends to be retarded, and his illiteracy is no handicap here.^11

## Pretended Prostitution

Sex between a Gypsy and a gadjo is forbidden, but some Gypsy women pretend to be whores as a means of facilitating a related scam. Some of them play the "Paddy hustle" or "Murphy Man" with the aid of an accomplice.

## Exploiting The Police

Gypsies sometimes inform the police about the illegal activities of another in order to get revenge. In other instances, when a Gypsy has violated Gypsy law, they'll fabricate a crime and offer perjured testimony to get him arrested by the police.

A fake shakedown racket is a money-making variation on the theme. A Gypsy will c

contact another Gypsy, who is engaged in an illegal enterprise, and tell him that he has a special connection with the police. He tells the other Gypsy that he can bribe the police, and call them down in a raid or call them off, as he wishes.

The first Gypsy then informs the police of the illegal activity. If they don't act upon the information, he can say that he put in the "fix" and saved the second Gypsy from trouble. If they do, the first Gypsy tells the second one that he really needs protection, and that he can put in the "fix" to accommodate him. He demands a payment to forestall another raid.

One instance of a fake police shakedown was especially convoluted. A band of nomadic Gypsies arrived in town and set up a rival fortune telling operation to the unhappiness of the Gypsies who were already there. The Chief of the local Gypsies went to a detective he knew and warned him that a new bunch of Gypsies were in town, saying that the new bunch had a reputation for dishonest practices. He added that this concerned him because such acts would reflect upon the reputation of his group, which was clean.

He told the detective that he'd take him to them, so that if there were any incidents, the detective would know them by sight, and not mistake the established group of Gypsies for them. Together they went to visit the new bunch of Gypsies, where the detective informed them of the need to have the proper business license and warned them against swindles. After this meeting, the Chief returned and demanded a payment, saying that he could call the police down on them if he wasn't paid off.

#### Summing Up

Gypsies tend to make up a criminal subculture in the United States. They're hard to identify and even harder to trace, partly because of their nomadic ways and slippery change of identities. They live by their wits, always aligned against the outside world which they see both as implacably hostile and legitimate prey. In the realm of scams, Gypsies are constantly scheming, seeking to outwit their fellow man, and often they succeed.

#### NOTES

1. Gypsy Lifestyles, John B. McLaughlin, Lexington, MA, D.C. Heath & Company, 1980, p. 1.
2. Ibid., pp. 4-7.
3. Ibid., p. 6.
4. Ibid., p. 39.
5. Ibid., p. 46.
6. Ibid., pp. 51-52.
7. Ibid., pp. 53-54.
8. Ibid., p. 57.
9. Ibid., pp. 60-61.
10. Ibid., pp. 75-76.
11. Ibid., pp. 77-80.

#### RESTAURANT SCAMS

Ever go to a restaurant and find there's a waiting list, obliging you to wait in the bar where you order drinks? Did you notice that the bar menu had all sorts of strangely-named drinks, tasty but very expensive? Did it ever happen that when you finally were seated at a table you found that there were free tables around you, and that the restaurant had not been as crowded as you'd been led to think? Did it also happen that the service was abominably slow, and that when you as



ked to speak with the manager, he or she apologized profusely, and told you that to make it up to you, you'd get dessert free? Did it also happen that another member of your party said to you, after the manager left, "That's a rehearsed speech. I heard it just last week at their uptown branch."

If this has happened to you, or if it's happened to a friend, and you're concerned about being victimized this way, here are a few things you should know about the way some restaurants operate.

First, some restaurants plan to earn good money from their bars. You can spot this immediately when you look at the drink menu and find that the prices of drinks are jacked up above the customary prices in your locale. Although there are brands and variations, most of us know approximately what a shot of whiskey or a glass of beer should cost.

Some restaurants try to disguise the jacked-up prices by listing only drinks with unique and exotic names on their drink menus. A menu with offerings such as the "Killer-Diller," or "Stairway to Heaven," to invent a couple of names, doesn't mean the bartender's an unusually creative guy. This simply means that you can't compare the prices with those of the other restaurant down the street. The restaurant's management has found a way to sell you thirty to fifty cents' worth of ingredients for three or four dollars.

The contrast is especially glaring when the restaurant advertises meals with prices that are quite reasonable, but the waitress tries to "push" drinks on you. This means the restaurant is using the meals as "loss leaders" and making its real money on the booze.

One way these restaurants have of forcing drinks on you is to create an artificial delay and divert you into the bar. When you enter, the hostess tells you that there's a "20-minute" wait for tables, and invites you to sit in the bar. The service in the bar is excellent. The cocktail waitress comes to your table as soon as you sit down, and your drinks are there a minute after you order. She comes back every few minutes to check if you want more drinks. This quality of service is in sharp contrast to what you'll get from the food server.

The 20 minutes stretch into a half-hour or more, and, if you're not careful, you're enticed to have several drinks before dinner. When a table's finally available, your waitress asks you what sort of cocktails you'd like. Again, take your pick from the same over-priced menu.

You find there's an unusual delay between ordering the meal and the time it's finally served. Again, this is calculated to give you more time to order drinks. Restaurants are very aggressive in this sphere, despite some new laws in certain states that they're liable if their patrons later have auto accidents while drunk. Restaurant operators, unlike bar owners, know their clients have food in their stomachs to cushion the effects of the alcohol. They also know that not everyone in a party drinks, and there's usually someone sober enough to do the driving.

If you innocently enter such a restaurant, and are aggravated by the delays so much that it spoils the enjoyment of your meal, what can you do? Report the incident to the manager? We've already seen that this is pointless. Call the Better Business Bureau? Not really. They're not interested unless you can prove that something illegal is involved.

Here's how one unhappy patron handled it. He had a hundred gift certificates printed for this restaurant. The gift certificates were for thirty dollars, enough to feed a party of two and pay for some drinks. He compiled a list of people he disliked, including some who had cheated him, some who were generally dishonest,

and some who were simply boorish. He sent some out with Christmas cards, "forging" to sign the card. He saved a number of "gift certificates" to use later, planning to send these out with covering letters from the "manager" of the restaurant.

These "gift certificates" were bound to be useful for a long time, because even if the restaurant's manager made an announcement that someone was playing a practical joke on his establishment, many would never "get the word." The "covering letters" would say this:

Dear Mr. ---- :

Because of your prominence in the community, you have been selected to receive a gift certificate entitling you to dine at our fine restaurant gratis. The certificate will enable you to bring a guest with you. We hope you'll enjoy your dining experience, and that you'll tell your friends.

Please present the certificate to the waiter when he brings your check. A fifteen percent tip will automatically go to the waiter, freeing you from this concern.

Hope to see you soon.

(signed) Walter Q. Manager

#### CREDIT CARDS: CONS AND CATCHES

Credit cards exist for two purposes: (1) To make it easier for the consumer to spend money, and (2) To thereby increase profits for the companies issuing them.

A third, and originally unintended purpose, is to make it easier for con artists to rip off the consumer. The main reason why con artists have it so easy with credit card scams is that banks and credit companies don't really care, as long as the scams don't cut too deeply into their profits. Credit card scams may have cost the public as much as \$700,000,000 in 1985. Companies, however, pass the costs of theft on to their clients, anyway. In the not too distant past, a client was fully liable for charges run up on a stolen credit card. New laws have changed that, but the basic picture remains the same. Agile businessmen and con artists continue to rip off the public, and are constantly developing newer and more creative ways of doing so. Let's start by looking at some clever bank officials.

#### The Third-Party Sales Agent

There are many well-intentioned laws to protect the consumer. Unfortunately, many of them have loop-holes, and businessmen are quick to take advantage of them. Even if a loop-hole doesn't seem to exist, nimble-minded businessmen try to find or create one.

Many states have laws regulating lending and lending institutions and companies. Texas, for example, prohibits Texas banks from charging annual credit card fees. Texas law also regulates interest rates.

Customers of some Texas banks sometimes have to pay credit card fees anyway. The dodge is that the Texas bank also owns an out-of-state bank, and it is this bank which issues the credit card. The Texas bank acts as a sales agent for its out-of-state holding.<sup>1</sup>

## Stolen Cards

The quickest and most direct way to work a credit card scam is to use a stolen or lost one. Stealing a credit card may offer breathing space for the criminal, because in some instances the victim doesn't realize right away that his card's been stolen. In other instances, the criminal, ever eager to outwit his victim, will take active steps to deceive. A pick-pocket, for example, may use the Good Samaritan ploy, telephoning his victim to claim that he found the wallet and will be returning it within a few days.<sup>2</sup> This is an important precaution to keep the victim quiet for the several days it can take to exploit the credit card.

Adding insult to injury is the con man who poses as a bank employee, telling the victim that a finder turned in the card, but that he needs the secret verification code, usually called the "PIN" (Personal identification Number) to verify ownership and to determine if anyone used the card improperly.

Banks and credit-card companies could issue cards with a photo of the client laminated into the plastic, which would make it far more difficult for anyone but the legitimate issuee to use the card. This would cost more, and they don't want to be bothered. After all, the client's safeguarding is relatively unimportant compared to the profit margin.

A French firm developed a credit card with a built-in microprocessor chip two years ago. This is more expensive than the customary magnetic-stripe card, and we're not going to see this development on this side of the ocean yet. The Master Card people are supposedly considering it, though.

## Counterfeiting Cards

Counterfeiting credit cards is fairly simple. Bank cards have magnetic stripes, which make it essential to imprint the correct data while embossing the identifying letters and numbers. Additionally, Master and Visa Cards have special ultraviolet inks in parts of the identifying symbols, to make it somewhat easier to detect forgeries. To scan the card with ultra-violet light, it's necessary to go into a dark room. Most retailers and many bank branch offices don't have the small and inexpensive ultraviolet lamps needed for this, however.

The equipment needed to counterfeit credit cards is expensive, although not hard to obtain because it's available on the open market. Sheets of plastic are available in any plastics house and even some large hardware outlets. The dies and machines for cutting out cards of the proper size are also open-market items, although they're costly. Industrial machinery usually is. Embossing machines, to imprint the proper letters and numbers, are available in many office-supply outlets, although they can cost thousands of dollars.

Starting from scratch also requires silk-screening the bank's logo and other identifying information onto the card. Silk-screening equipment is not costly at all, but the counterfeiter must have film positives of the artwork to make a silk-screen print. This is one possible hitch, because a process camera shop employee might wonder at a private individual ordering film positives shot off a card instead of from original artwork.

Setting up one's own process camera and darkroom is not elaborate, nor is it very expensive when using the small size of camera needed for bank cards. In a pinch, it's even possible to improvise with a 4" x 5" Speed Graphic, although the operator must be extremely careful to square the film back parallel with the artwork. Tray development of Kodalith film is possible under a simple red-bulb safelight, and the chemicals are commonly available. Going a step further, a small process camera is usually available second-hand for under two thousand dollars, and a regular darkroom can be set up for very few dollars more.

Department-store charge cards are usually less elaborate and less secure than are bank cards. This makes them easier to counterfeit. It's also easier to get away with passing them, because department stores are usually cheap on security measures, and often don't even have a full-time security director.

Less expensive and more practical is altering real credit cards. This requires far less equipment and supplies, because all that's involved is salvaging old cards, not creating new ones from scratch. Using heat to press the original embossed lettering flat is the first step. Embossing new lettering to create a forgery is the second step.

There have been instances of stealing genuine blank credit cards. This avoids the pitfalls of trying to forge the cards with plastics and inks that might not exactly match the genuine articles. The advantage of stealing blank cards is that these are usually not secure. They are manufactured by plastics companies, not banks, and aren't kept in bank vaults.

### Using Credit Card Numbers

The introduction of telephone marketing services has opened up a golden opportunity for counterfeiters, who now don't have to steal a card physically or produce a physical counterfeit. All a swindler has to do to use someone else's card number is to make a telephone call. The preparation involves getting hold of legitimate numbers, though, because the telemarketing companies do take the elementary precaution of checking their orders against the bank issuing the card before shipping.

How does the con artist get hold of legitimate names and numbers? There are several easy ways. One is by "trashing" operations. These involve simply rummaging through the trash cans and dumpsters in the back of a shopping center. Inevitably, there will be scores, and even hundreds of charge slip carbons available, each with its own imprint of a legitimate card.

Another is to set up a phony business, taking orders by telephone. This involves creating a "shell" company, complete with paperwork and line of credit, and advertising merchandise at prices significantly lower than the competition's. The swindler thereby operates a two-tier scam. The first level is collecting money through the credit card orders phoned in. All of these companies promise delivery by mail or via U.P.S., which inevitably takes time. By the time anxious customers start wondering why their orders are late in arriving and complaining to the police, the swindlers have packed up and left.

When packing, however, the swindlers take with them all of the credit card records. These are invaluable because they are real numbers belonging to real people, and the swindlers can use them to order merchandise from legitimate outlets later, operating from other states.

An even simpler way of obtaining the numbers is to telephone people at random, telling them that they've won a free vacation, and request their credit card numbers and expiration dates for "tax purposes." This offers the advantage of no physical contact whatsoever with the victim, and is very safe.

### Inside Jobs

It's not essential for a swindler to acquire elaborate equipment to start a credit-card scam. Having a confederate who is a legitimate bank employee can help tremendously. While there's strict control over credit card blanks, there's little or none over the use of embossing machines. There's also little control over the lists of credit card numbers. Access to them is controlled, but it's not possi

ble to ensure that an employee won't make copies, or memorize a few each day, to pass on to a criminal gang.

A dishonest employee can serve as "inside man" with practically no risk to himself or herself by passing this information to swindlers. There are so many possible leaks that it's impossible for security officers to trace any to a particular individual.

Only if an employee can make a "big score" is it worthwhile to steal blanks and other material that can be traced to him. This is for the worker who has decided that he'd had enough, and won't take it any more. If the profit is enough, he can disappear and retire, often with the aid of the criminal gang for which he's stolen the material.

#### Leaks And Countermeasures

People who want to protect themselves from becoming victims of credit-card frauds face an impossible task, because it's impossible for any individual to plug all of the possible leaks. An individual can, however, take simple steps to avoid making it too easy for the swindler.

One is to unfailingly destroy old credit cards when the new ones arrive. Cutting them into halves or quarters is an almost perfect method. This makes it almost impossible to repair and re-use them. Another security measure is to ask for the credit slip carbons, instead of letting the sales clerk drop them into the trash bin. This prevents later collection by a scam artist "trashing" that store's dumpster.

It's impossible for the individual credit card holder to do anything about leaks in the headquarters of the bank or credit card company. If this is a serious concern, it's best simply to stop using credit cards, and pay by cash or check for everything. It also avoids forgetting to keep track of money spent, and running up debts with their punitive interest rates.

Banks and large credit companies, although they deal in billions of dollars, are very cheap with their employees' salaries. This inevitably creates dissatisfaction, and tends to justify an employee's feeling that he's merely getting back what's legitimately his when he decides to become dishonest.

It's ironic that, despite more intensive employee screening and more sophisticated "security" measures, it's easier for an employee to profit from dishonesty today than ever before. Years ago, the only way an employee could profit was by physically stealing money, bullion, or other valuables. Today, stealing information can be even more profitable, and much harder to control.

It is possible, of course, to choose carefully the type of person hired by a bank. A computerized check for a criminal record is essential, to prevent penetration by the established, hard-core, criminal. It doesn't guarantee that the new hire will not give in to temptation someday.

Access control is more sophisticated than ever before. There are "card-key" locks and other high-tech means of excluding from secure premises people who don't have authorization to enter. There's little hope of control of authorized persons once they're inside, though. It's possible, for example, to program computers with security "passwords" to prevent unauthorized access to the data within, but it's impossible to prevent someone with the authorization, and the code, from turning dishonest and selling the information. There's no known way, for example, to prevent anyone from copying information from a computer screen with paper and pencil, or even photographing the screen. If the computer contains a list of credit card holders, their names and numbers, and even Personal Identification Num

bers, anyone with access to the information may be tempted to try to earn extra money on the side.

Large credit companies do have some countermeasures. Typically, they hire "security directors," often retired FBI agents or other former law enforcement officers, to set up and supervise what security precautions they can. This is basically a passive role, one of closing the barn door after the horse gets out. Private companies being what they are, they won't spend money on security until they've been hurt enough to understand that the extra expense is justifiable.

Security measures are no better than the people using them. One excellent example is the paper shredder. These are machines that cut documents up into strips and chips so small that it's almost impossible to piece together the document from the tiny fragments. This is an effective measure to destroy records and prevent anyone from picking up useful information by examining the trash. There is, however, no reliable way to make an employee use a shredder. Anyone willing to turn a quick profit by selling a list to a con man instead of shredding it can do so.

Smaller companies, such as retailers who are the backbone of the credit sales system, typically don't pay much attention to this. Their "security officers," if they have any, are often retired policemen hired to watch for shoplifters. Usually, they don't have the sophistication to understand the basics of credit card fraud, and their employers are too penurious to send them to courses and seminars to learn.

Retailers usually will practice only the security measures forced upon them by the large credit card company or bank. These are limited to the ones which can be enforced by economic sanctions. A bank can't force a retailer to shred charge slip carbons. It can, however, force him to phone in for authorization for charges over fifty dollars by refusing to pay for unauthorized charges that "bounce." The bank can also force the retailer to practice elementary security by circulating a "hot list" every two weeks, and refusing to honor charge slips drawn upon a card on the "hot list."

The problem with any printed list is that it takes time to circulate. Entering reports of stolen or lost cards on the list, having it printed and distributed, and in the hands of retailers, imposes a delay. This translates into a grace period for card thieves. This is why some banks and credit card companies now distribute rudimentary terminals, linked to the central computer, to verify each card at the time of purchase. The terminal looks like a small plastic box with a slot, and the clerk slips the card through the slot, inside, a magnetic head "reads" the strip on the card, and relays the data to the computer. This verifies that the card is still good, or alerts the clerk to any irregularity. This is why today it's important for a swindler who obtains another's credit card to pacify the owner and keep him from reporting the loss or theft.

While banks and credit card companies are alert to the possibility of a dishonest employee stealing their lists, retailers simply don't care. It's not their problem. All they care about is activity that will affect them directly. If an employee secretly saves the charge slip carbons to sell to a swindler, the retailer doesn't really even want to know about it. It's no skin off his back.

Retail clerks are usually major leaks in the system. While the dishonest bank employee can reveal credit card numbers and related information only, the retailer can compile even more, which can be useful to a swindler. The clerk can and usually does record the address, driver's license number, and telephone number, as well as other information on charge slips and checks. This is more than enough information to form a base for a swindler who orders goods from a telemarketing service.

Accepting delivery is usually the weak point of the telemarketing scam. To profit, the swindler must pick up his goods, which puts him in a certain location at a certain time. One juvenile gang used an abandoned house for this purpose, but this proved to be their undoing when a suspicious neighbor started wondering why there were so many deliveries to an empty house.^3

Time is of the essence to a swindler. He must profit from the card or misappropriated number before the legitimate owner becomes aware that anything's wrong. If the card isn't physically stolen, there's little problem, because the real owner won't become aware of the spurious purchases until he gets his statement at the end of the month. The bank, however, is another matter. There's usually a "credit line," a limit beyond which the customer cannot go, in borrowing money. This is to prevent the customer from incurring debts he cannot pay, and is to protect the bank. If the card owner is already near his limit, the swindler won't be able to tap the account for much, because, as we've seen, the bank requires prior authorization for amounts over fifty dollars.

There are, however, other ways to profit from a credit card. One is to use the card to rent a car. The clerk at the counter, usually poorly-paid, doesn't often check out the card when a customer rents a car. The charge usually isn't calculated until the car's return, which gives the swindler several days' grace period.

Renting a car under an assumed identity enables the swindler to make off with a piece of property worth several thousands of dollars, which he can then exploit in other scams. He can put the car up for "sale," collecting earnest money from many potential purchasers, and then abandon the vehicle and make off with his proceeds. If he has the right contacts, he can sell the car to a "chop shop" at the end of his scheme. The chop shop will cut up the car for spare parts to sell to repair shops.

#### Golden Opportunities

It's unfortunate that increasingly sophisticated technology offers expanded opportunities for crime. As with other forms of crime, plastic cards offer the richest rewards and the smallest risks to those who use their brains, not their brawn. They're usually a step or two ahead of the law.

#### Finding Out The Credit Card Number

Because it's possible to charge mail and phone-order purchases to a credit card number without physically presenting the card, con artists have made it a priority matter to find out what a potential victim's credit card number is. Picking up credit slip carbons is one way, but now they don't even need that.

The con artist telephones a possible victim at home one day while he's away at work. He tells his wife or whoever answers the phone that he's a police officer, and that the victim's wallet has just been turned in by a passerby. The money is gone, but the credit cards are still there. If the wife will just give the nice officer the numbers to "prove" it's really her husband's, the police will deliver the wallet to her.

#### The 976-Number Swindle

The 976-series numbers are rented out by the telephone companies as "talk lines" to companies offering a variety of services such as sex talkers and teen-age hot lines. The charge is the toll call plus whatever additional charge the company wishes to put on it. This is usually something like 95 cents per minute. People tend to balk at more expensive charges.

One enterprising con artist opened up a 976-number, with a charge of 35 dollars

per minute. At that price, he didn't get much business, but he decided to stimulate responses. He'd telephone numbers from the directory until he reached a telephone answering machine and leave an enticing message to call the 976-number. People who did find a dead line and a 30 dollar charge added to their phone bill. Some, thinking that they'd dialed a wrong number, tried again and found a seventy dollar charge at the end of the month.

## NOTES

1. Consumer Reports, January, 1986, p. 52.
2. Money For Nothing, M. Allen Henderson, Boulder, CO, Paladin Press, 1986, p. 56.
3. Ibid., p. 66.

## "FINANCIAL PLANNERS"

"Financial Planner" is a fashionable term today, a contemporary buzz-word. Roughly, it means a financial specialist who helps you place your spare cash in various income-earning investments, carefully custom-tailoring the "portfolio" to your individual needs, and paying attention to minimizing the taxes you'll have to pay on your investment income.

This is a "growth industry." One trade association, the "International Association for Financial Planning," has grown from 11,000 to 22,000 members in less than three years. Another similar group, the "Institute of Certified Financial Planners," has grown from slightly more than 3,000 to 18,000 members since 1981.

This is a wide-open field. There are no licensing requirements, one effect of which is that anyone can call himself a "financial planner." We see insurance agents adopting the label, and stockbrokers also offer this "service." This opens the door to outright charlatans, and the Council of Better Business Bureaus has warned that they estimate the dollar volume of frauds associated with "financial planning" has amounted to \$90 million during the last three years.

There are several ways in which these people operate. One is as a straight consultant. This person lays out a plan for you, and tells you where to go to buy your investments. A second type charges a fee for his services, or sells you some investments on commission. A third type is a salesman for the plans he recommends. All are opportunities for abuses.

The expert who plans your finances for free can collect a hidden kickback from the sources he recommends. The quasi-salesman is always tempted to push his "products" even though they may not be the best for you.

One important aspect of this is that the service need not be fraudulent at all. The stockbroker who offers to do your financial planning has an obvious interest. Any stocks and bonds he suggests, you'll likely buy through his office, and he'll collect a commission quite openly.

Likewise, a tax accountant who offers this service as a side-line has an obvious interest. One accountant offered municipal bonds to one of his customers, because he was also a broker.<sup>1</sup> Any accountant who offers financial planning will stress tax savings, and because he'll be the one who set up the plan, and therefore the one most familiar with it, the customer's most likely to have him do his tax return.

## The Prospect Of Licensing

This may be in the future for financial planners. Much depends on how the market



continues to develop, and how much money is in it. If it stays lucrative, attracting new "planners," the established ones will certainly start lobbying for a licensing law. The inevitable abuses that come with this sort of business will bolster their case that licensing is required to weed out charlatans and fraud artists. Of course, the real motivation will be occupational birth control, to avoid sharing the goodies with too many others.

## Financial Planning For You

Should you use the services of a financial planner or not? If you decide to do so, remember that the odds are against you. You don't get a free lunch, something for nothing, in this world. Any financial planner you employ will have an axe to grind. He has to earn a living, not just be a nice guy to people who need help in disposing of their spare cash. This means that he'll be trying to sell you something, somehow.

It's extremely unlikely that the planner will tell you that you're doing just fine with what you've got, and that you don't need to invest any more. The recommendations he makes will not be surprising. If he's affiliated with an insurance company, he'll suggest you increase your insurance coverage, buying a new plan with more bells and whistles, and of course with higher premiums.

If he's in stocks and bonds, he'll present these as the road to financial security. He'll offer to procure the stocks for you, and may even have a special offer as a come-on. He knows that once you're into stocks, you have to sell them somewhere to realize a profit, or dispose of them if they lose ground, and in either case he can earn another commission. Persuading you to buy securities gives him a foot in the door. He can contact you six months later to tell you that he's heard of a new "hot" offering, and try to sell you some whether you need it or not.

## The Hard Sell

It can get grim. The typical method of operation is to have the client fill out a personal and financial questionnaire. A salesman hands out brochures with pablum prose to convince the client he's getting a fantastic deal.

The questionnaires seem to be designed more to help the company find possible areas of interest and sales than to help the client.<sup>2</sup>

## What You Can Do

Avoid "financial planners" as if they were the plague. If you've got money to invest, make the time to do your own research to find reasonably safe investments.

There are a few. Don't pick up one book on investments and accept it as truth. Read several. Ask your friends what they do. Keep in mind that nobody's got the perfect answer, and if they had, they probably wouldn't share it with you.

Above all, be realistic about the amount of money you can devote to investments.

Many financial planners don't take this into account, because they're out to sell you as much as they can. The money has to come from somewhere, and you're probably the best judge of how to arrange that.

## NOTES

1. Consumer Reports, January, 1986, pp. 39-45.
2. Ibid.

## INTELLECTUAL FADS: SELLING COUNTERFEIT IDEAS

By definition, fads are short-lived and volatile ideas and modes of behavior. They're not necessarily intangible, but often related to some material things. Hula hoops and punk hair-cuts are both examples of fads. They cost money, but don't involve deception and don't do any harm.

There are fads in various fields, such as medicine. Doctors are subject to faddism, and often are attracted to a glamorous idea or treatment that seems to promise miraculous results. Any drug or treatment seems less glamorous after a few years' experience using it on real patients, and the enthusiasm gradually fades.

We've seen many tent and TV preachers become millionaires "doing the work of the Lord," but there's also a thriving traffic in various secular fields. It's wide-open for selling ideas, because ideas are intangible, as are religions, and it's practically impossible to "prove" that one is "correct" and another "wrong."

### The Kennedy Assassination

Let's go back a couple of decades to see how one event led to dozens of books and hundreds of articles published, and even to a couple of movies. When President Kennedy was shot to death in Dallas, it was in front of hundreds of witnesses, many of whom were law enforcement officers of various categories, including his corps of Secret Service bodyguards. The shooting was also filmed in "living color" by a man who had an 8mm camera pointed at Kennedy when the shots went off. An exhaustive investigation followed, with agents of the Secret Service, FBI, and other law enforcement agencies digging into the affair. The almost incredible fatal shooting of the accused, Lee Harvey Oswald, a couple of days after the Kennedy shooting, started an even wider round of speculation.

Despite the extensive documentation, a number of radical theories immediately came to light. These were spun by writers who saw the opportunity to make a quick buck by bringing out a sensational book or article as soon as possible, and the rest of 1963 saw articles on the Kennedy assassination appearing daily. The period between the shooting and the report by the Warren Commission saw a slightly abated flood, but as soon as the Warren Report was released, it was "open season" again, with fast-buck writers inventing more theories to contradict the report.

Basically, the report stated that Oswald shot Kennedy, without the help of fellow-conspirators. However, to sell an article to a newspaper, magazine, or book publisher, it wasn't necessary to prove otherwise. It was only necessary to charge that there was a "cover-up" preventing the disclosure of evidence to prove the author's contention. Let's look at some of the theories presented. This will show how many contradicted each other.

- \* Kennedy was ordered shot by the CIA because he was cramping their style, or contemplating disbanding the Agency.
- \* Kennedy was shot at the instigation of Vice-President Johnson, who coveted the Presidency.
- \* Kennedy was ordered shot by Castro, agents of Moscow, or other communists. (Take your pick.)
- \* Kennedy was shot by the Mafia.
- \* Kennedy was shot by "right-wing" elements in this country.
- \* Oswald was a communist agent, straight from Russia.
- \* Oswald was a Cuban agent.
- \* Oswald was a dupe, did not really do the shooting, and was set up as the "fall guy" while a marksman did the actual shooting and got away. The marksman fired from the "grassy knoll," the railway overpass, or some other vantage point, depending on which version you choose.
- \* Oswald was a miserable shot, which proves that he did not really do the shooting, but merely served as a "stand-in" while the real marksman did the shooting.

nd got away unobserved.

\* Oswald was a superb marksman, and was really gunning for Governor Connolly, who had been Secretary of the Navy while Oswald was in the U.S. Marine Corps, and who had done him dirt. Kennedy just got in the way, that's all.

\* The bullets hit from the front, which proved that Oswald could not have done the shooting. The autopsy was fudged to hide this fact, and to make it look as if Kennedy was shot from the rear.

\* The doctors conducting the autopsy were "reached" by government agents and ordered to tear up their notes and start over, to produce a report in line with what the government wanted released.

\* The bullets hit from the rear, but Oswald could not have fired them because of the extreme range.

\* There were two shots.

\* There were three shots.

\* A Secret Service Agent was also killed in Dallas that day, but the government is covering up his death because it would lead to something they don't want disclosed.

\* Oswald was not really Oswald, or at least the man captured and later shot by Jack Ruby was not the real Oswald.

\* Jack Ruby was a member of the Mafia, whose job it was to silence Oswald to keep him from disclosing the Mafia's role in the affair.

\* Ruby shot Oswald to keep him from disclosing the C.I.A.'s role.

\* Kennedy did not really die in Dallas that day, but was so brain-damaged that his family decided to pretend that he'd died. He is still alive, a vegetable on a Creek island owned by Aristotle Onassis.

\* Witnesses to the whole affair have been dying at an unusual rate, which proves that someone is going around knocking off people who might lead to the "truth."

This allegation has been presented by several authors, who can't explain why they're still alive if they're correct.

Let's not try to untangle the events surrounding the shooting. It's enough to show some of the theories presented to establish the case that most of these writers simply sought publicity and the fast buck by inventing half-baked theories and rushing them into print. That they contradicted each other bothered them not one bit. This merely created more controversy, and got them more attention. There were at least one hundred assassination theories generated during the first years after the shooting, and more at a declining rate thereafter. We still see an occasional book or article dealing with a "re-examination" of the shooting, but this is not as salable a topic as it was twenty years ago.

## Fads In Other Fields

While we see a new crop of fad diets each year, and a rash of self-help books full of new ways to tell people how to live their lives, raise their children, find happiness, and straighten out their marriages, fads are not just ways of manipulating the "great unwashed." Many people do buy these faddish books, because they're ever hopeful of finding whatever they're seeking, but they're not the only victims.

The cold war and the threat of nuclear annihilation has bred the "survivalist" movement. While there have always been survivalists, the recent developments have encouraged both crackpots and profiteers. Journalists also grind their axes. In the "McDonald's Massacre" of a couple of years ago, the gunman earned the label "survivalist" from some reporters because he was wearing camouflage clothing.

The big threat is nuclear war. In recent years, there have been at least two slick, four-color magazines devoted to how to survive a nuclear war and lesser threats. One of these has turned "belly-up," because its message of fun and games in the nuclear environment was simply too unbelievable. It "cried wolf" too much, and the cult supporting it wasn't numerous enough to pay the freight.

There has never been a nuclear war. The two bombs dropped on Japan don't count, because the Japanese were unable to reply in kind. Mutual deterrence, the "balance of terror" does work, but mainly because of the deterrent effects on national leaders, not populations. For the first time in history, it's no longer possible for the leaders to send the young men out to the front lines to fight while they remain safely in the rear. Any national leader who becomes involved in a nuclear exchange risks being annihilated along with his troops. This is what makes nuclear war unlikely, despite the alarmist opinions that are a dime a dozen.

The more likely threats are the less spectacular ones, such as recessions, depressions, floods, and epidemics. These are not only likely, but have already happened. Guns and fallout shelters are not much help against these. Stockpiling conventional foodstuffs helps somewhat, especially in a recession when money is tight. However, such food is obtainable in a supermarket, and there's no need to go to a "survivalist" outlet.

Still, some "survivalist" devotees and profiteers beat the drum with the news that nuclear war is not only imminent, but survivable and even desirable. To this end, they offer countless books on how to build blast and fallout shelters, how to stockpile resources to enable "survival" after the holocaust, and also information on where to buy the essentials.

This is where much of the profit is. While the need for foodstuffs that will keep without refrigeration is understandable, a manufacturer who labels his canned or dehydrated foods as "survival" supplies can get three times the price for them. One excellent example is packaged soft drinks. The difference in price between the "survivalist" offering and the pre-sweetened "Kool-Aid" found in supermarkets is a factor of two or three, yet Kool-Aid tastes better. Dehydrated soups are another category where the mail-order "survival" versions cost more than store-bought without being any better.

One outstanding fact about food after a nuclear holocaust is persistently ignored by those who beat the drum. Dehydrated foods need water to reconstitute them. The water supply is likely to be disrupted. Of course, any good survivalist will store an emergency supply of water in his shelter.

The rational method, however, is to store conventional canned foods, which already have their own water. They don't even need heating but are edible right out of the can if need be. The problem with canned food, as far as the survival promoters are concerned, is that it's available easily and cheaply in the local supermarket. The few "survival" outlets that sell army surplus canned food don't have notable success, because surplus C- and K- Rations aren't as appealing as dehydrated foods.

Dehydrated foods are fine for backpackers who are assured a supply of water when they arrive at wherever they're going. Lacking indigenous water, they have to carry it in on their backs. If this is the case, it negates the advantage of dehydrated foods. Dehydrated foods are not the only items upon which profiteers earn their bucks.

A "survival" kit that consists of a few bandage strips, fish-hooks, a few feet of line, a cheap mirror, a few wooden matches, an envelope of dried soup and a few candy bars can easily cost twenty dollars if bought mail-order through a "survival" house. Assembling the same from conventional sources costs only a dollar or two.

Almost anything advertised in a survival magazine and labeled "survival" or "survivalist" is likely to be much more expensive than corresponding material bought on the "civilian" market. This is true of weapons, clothing, and outdoor equipment.

ent.

A variant on the survivalist movement is the "officer survival" fad. While police officers have been getting killed in the line of duty for decades, the worst period was during the 1930s, the "gangster" era. Since then, police officers have been getting better training and better weapons, and the number of officers killed has declined over the years, despite an increase in population.

Police, however, are attracted by various authors of "officer survival" books, and promoters of traveling road shows that put on "officer survival seminars" in cities across the country. While these books and seminars undoubtedly have value, they're mostly re-hashes of the training police officers get in the academy.

One very capable SWAT team commander stated that he attends every one he can, although he admits that much of what he sees at each "seminar" is a re-hash of what he's known for years. He says that he attends because he often learns one or two points he didn't know before.^1

This is typical. We find, in the police subculture, a small group of cult leaders who teach their own versions of "officer survival" to their followers. Surprisingly, they get a lot of repeat business. Logically, they travel to where they get the greatest enrollments, and often the same followers return year after year.

Most admit that the content of their courses changes somewhat each year, as they learn new tactics and incorporate them into the courses. To the cult followers, however, this isn't a very good deal, because they pay the full price to attend basically the same course, go over the same material, and hope to pick up a few new tricks.

#### Fads In Business

It's erroneous to think that fads are only the playthings of the ignorant masses, started by extremely clever promoters to earn money for themselves. Some of the sharpest minds in the country are susceptible to faddism. We've seen that doctors are often ruled by fads and faddish methods of therapy. So are businessmen. Regularly, someone comes along with a "new" method to help them earn more money.

Back in the 1930s, Dale Carnegie earned money with both his book and his course, *How to Win Friends and Influence People*. This was a helpful course, mostly common sense, that taught that if you flatter and "stroke" people, you can get them to do what you want. It taught nothing new, but was attractively packaged, and Dale Carnegie became a "cult" figure before the term was popular.

In the 1950s, the hard-line right-wing economic philosophy of Ayn Rand attracted attention and, of course, sold books. Ayn Rand espoused a viewpoint that she pushed through her novels, long, turgid, almost unreadable stories that fascinated her followers. Her fans accepted the actions of her characters as if they had been real people in the real world, much as we see science-fiction fans today following their fictional characters. The bottom line was that this sold books, which was what put the dollars in Ayn Rand's pockets.

World War II resulted in a new discipline coming to light. This was "operations research," which was mainly a new, untraditional way of planning military organizations and operations. Scientists found that traditional military planners were dominated by tradition instead of practicality, and suggested workable changes. One example was that bayonet training was still a large part of a recruit's basic training in the armies of the 1940s. Bayonet wounds were very rare, a fraction of a percent of total battle injuries, and the attention given to bayonet training was therefore largely wasted.

The end of the war found operations research being applied to business. This was legitimate, but unfortunately the executives treated operations research as a cure-all, which it was not.

In the 1950s, computers made their appearance in business. Very soon, some people thought that computers were giant thinking machines, devices that could solve any problem, and that they were infallible. The falsehood of this notion soon became apparent, and the phrase "GI-GO" appeared to describe the phenomenon of "Garbage in, Garbage out." Erroneous data punched into a computer caused it to spit out erroneous conclusions, and typically computers cannot correct themselves but continue to put out the results of what's been programmed into them.

There were other fads that started during that era. One was "Management by Objectives," propounded by the management guru Peter Drucker, who has remained popular for several decades. Another idea that took hold was "Diversification," a method of hedging your bet in business by buying into numerous fields on the theory that they can't all fail at once. "Theory Z," put out by Professor Douglas McGregor, stated that you get better output from your workers if they take part in the decisions. This idea was to get a revival in the 1980s when the "Japanese Management" school of thought took hold. At that time, it got a new name. "Quality Circle." Let's move on.

The 1960s brought "encounter groups," "T-Groups," and other forms of "sensitivity training," all of which seemed to be startlingly new and successful techniques, but which quickly became tarnished with wide use. A new term came up, "conglomeration," which was a logical outgrowth of the "diversification" of the previous decade.

There was another attempt at reducing the human personality to a set of numbers.

The "Managerial Grid" classified managers according to whether they were more people-oriented or profit-oriented. Each person found his place on the grid in a hyphenated number such as "8-9."

Playing with numbers took on a new path with P.E.R.T. This acronym stands for "Program Evaluation Review Technique," and is a method that was supposedly used to manage the production of the first nuclear submarine. This consists of plotting on a large graph the "time-frames" it takes to perform certain actions in the production process, finding the one that takes longest, and determining what to do to speed up the longest chain of events. This chain is known as the "Critical Path," and this term has led to a new and faddish synonym for P.E.R.T., "Critical Path Management."

Let's look at P.E.R.T. in detail, to see what it really does for the manager.

P.E.R.T. is based on the idea, which every housewife knows intuitively, that the longest task is the one you should start first. When she cooks a meal, she'll put the roast in the oven first, because she knows that it takes several hours to cook. The vegetables go "on the fire" about half an hour before dinnertime, and she sets the table and makes the gravy in the last few minutes. There's nothing particularly innovative about this method of managing meal production. However, when we get into the executive suite, we find a corps of intellectual masturbators making heavy weather out of it.

First, they diagram it out. Each aspect of a production program has a place on a chart, connected by lines to several others. Each line advances from left to right depending on how much time's involved. Although it takes a draftsman many hours to plot a P.E.R.T. Chart, a canny manager can eyeball it for a moment and spot the "critical path" immediately.

Unfortunately, there's a catch. The information on a P.E.R.T. Chart's no better than the information that went into it. The same principle is at work as with computers, and in fact some critical path charting has been computerized. However, the same errors are at work.^2

"Zero-Based Budgeting" came about during the 1970s. This was the idea that, to control costs, each year's budget had to be figured anew, not picked up from the previous year's. Each item required fresh justification for its existence. This is a simple idea, and it's hard to believe that several books could be written about it.

That's the way the "system" works, however. You can't come out and express a simple idea and expect managers to accept it. You have to write a book to prove that it's worthwhile and academic. You earn royalties on a book, not on a paragraph.

It helps if you can produce a book with lots of obscure references, footnotes, and language. The harder it is to understand, the more convincing it is, even to those who should know better.

Once you get your book published, you may be able to set yourself up as a "consultant" on the strength of your fame. Being a consultant is superb. You go in, diagnose the problem, offer your solution, collect your fee, and leave. Others are faced with the task of making your system work, and if you have enough nerve, you can leave them with the feeling that if it doesn't work, it's because they're not bright enough to make it work.

This is what many "consultants" do. We outsiders would call them "gurus," but that's considered irreverent in the business world. Today's high-powered managers travel in the "fast lane," know all the buzz-words, and keep up with the latest fads. In so doing, they pay the freight for a number of gurus who sell intellectual snake-oil.

Fads are trendy time-wasters, but very profitable to those who know how to exploit them. They're even better for those who know how to create them. That partly depends on luck. Trend-setters need "an idea whose time has come," something that will catch peoples' imagination, whether the idea's valid or not. If it gets attention, it leads to exploitation for money.

#### NOTES

1. Personal acquaintance of the author's. This man, however, has the fees, travel expenses, and per diem largely paid by his department. If he had to pay for it all out of his own pocket, he wouldn't be able to afford such extensive "education."

2. Years ago, when the author was deputy program manager for a small aerospace company, he saw this system at work. One program had a P.E.R.T. Chart, carefully drawn up by the engineering department, which "proved" that delivery was to be by September 7th of that year. A month before that date, it was necessary to revise the chart because some of the "events" hadn't come about in time. A certain gear took longer to machine than originally estimated.

A couple of weeks later, another revision became necessary. An engineering redesign was needed because the device didn't work properly. Several parts just didn't fit when assembled. This took a few more weeks, and the chart went through a few more revisions.

The author, new to this game, was fascinated by the attitude of utter respect towards the charting method displayed by his superiors. It wasn't working, but everyone pretended that it was.

## COAT-TAILING

Varieties of "coat-tailing" form some common scams, and the con artist's imagination seems to be the only limit. The term itself<sup>1</sup> refers to riding on the coat-tails, taking advantage of an unconnected event for results.

Coat-tailers plague the police, because some of them are people with mental problems who "confess" to sensational crimes in order to gain attention. Experienced police investigators soon learn who the hard-core confessors are, and avoid wasting too much time interrogating them. Private citizens are the ones who are victimized by some coat-tailers, especially when a kidnapping occurs.

### Kidnapping Cons

This is one reason why police dislike releasing news of a kidnapping. Making the events public hampers the investigation and invites attention from fraud artists pretending to be the kidnappers and asking for ransom. When the kidnapping is that of a famous person, as in the Lindbergh kidnapping, profiteers seem to come out of the woodwork.

The advantage to a con artist is clear. He can, if he's even half-way persuasive, extort a large sum of money without actually committing the crime. Fraud carries a smaller penalty than kidnapping, which is in his favor if he's caught.

The police have several techniques to separate the fakers from the genuine kidnapper, some of these techniques serve double-duty because they provide information as to the well-being of the victim. The method used will depend on the way the alleged kidnapper makes contact. Potential victims and relatives of victims should know of these techniques because often they're the ones who take the first calls. In many other instances, the police have them continue to answer the phone so as not to disclose their involvement, especially if the kidnapper has threatened to kill the victim if the family calls the police.

One technique is to ask to speak with the victim. Sometimes the victim is close at hand, and the kidnapper can put him or her right on the phone. In other instances the kidnapper calls from a pay phone, and can't fulfill this request. The police have powerful leverage in this, because they can rightfully point out to the caller that they've gotten fake calls and need to have proof of the holding of the victim. Another, and equally vital, point is that the police need proof that the victim is still alive and well before paying ransom.

When it's not possible to put the victim on the phone, a demand for a photograph or tape recording can substitute. In certain political and terroristic kidnappings, the abductors have even furnished videotapes showing the victim holding the current newspaper in front of him to prove that he was alive on that date.

If the caller can't provide any proof that the victim is still alive, he probably can't even prove that the victim is in his custody. In case of doubt, the police can ask what the victim was wearing when abducted. A caller unable to supply even this information can't be very convincing.

The over-riding importance of this proof is hard to overestimate or overstate. A good con man can come up with all sorts of convincing "reasons" why he can't provide it. He can, for example, say that he's a cut-out or negotiator for the kidnapper, and has not gone near the site where the victim is being held to explain his not knowing the victim's apparel. Anyone taking the call should make it clear that proof is an absolute precondition before considering payment of ransom.



In some instances, no kidnapping has actually occurred. When a news report concerning a missing person appears, a con artist can place a call claiming that he's kidnapped the missing person. In one instance, a nervous con man placed such calls from prison.<sup>2</sup>

A variant on the kidnapping scheme is the pet-napping plan, taking advantage of classified ads inserted by people who have lost their pets. Some reasons that this is easy to carry out is that there are many missing pets, and people are less likely to call the police in such an instance. Another is that people who advertise missing pets include complete descriptions, which gives the con man the vital edge.

One man who carried out such a plan added a cruel twist in his calls to victims. He told them that if they did not choose to pay ransom, he'd turn their pet over to a laboratory for experimentation.<sup>3</sup>

Another way for a con man to cash in on a kidnapping is to claim to have underworld "contacts" which enable him to negotiate with the kidnappers. When his infant son was kidnapped, Charles Lindbergh had to contend with a shady character named Gaston Means, who claimed to be a "secret service agent" and who actually had worked for the Department of Justice in the days when hiring was haphazard. Means claimed that he had the contacts to serve as a go-between, and he enjoyed some status and publicity for a while, until his lack of results exposed him.

It's important for any relative of a kidnapped person to be very careful regarding such pretended "go-betweens." The odds are that they don't know the kidnappers. If they did, they'd risk being indicted as co-conspirators. Typically, once these "agents" have the ransom in their hands, they vanish.

Another type of coat-tailing relates to the "missing children" scare. The public hysteria, aided by media exaggerations, presents a frightening picture of child abuse and child kidnappings. "Estimates" have inflated the figures beyond recognition.<sup>4</sup> Claims that over one and one-half million children are "missing" from their homes each year leads to an extrapolation that these children are thereby "vulnerable" to people who might harm them. In fact, most of the children reported "missing" to the police are merely at a neighbor's house, or with other companions, having neglected to tell their parents of their whereabouts. This doesn't stop the con artists from exploiting the public concern, though.

One man collected several hundred thousand dollars through telephone solicitations, claiming to represent a fictitious service that "located" missing children. In Florida, a phony "publisher" solicited advertisements for a publication that would be supposedly filled with photos and descriptions of missing children. A woman who supposedly was setting up a battered and abused children's ranch solicited donations, and the "ranch" never materialized.<sup>5</sup>

Fund-raising organizations, even when "legitimate," ride the coat-tails of child-abuse hysteria. The problem is that often the larger percentage of funds collected stays with the organization to cover salaries, office expenses, bonuses, "incentives," etc. Typically, the charity's lucky to see 20% of the money collected.<sup>6</sup> Others use sound-alike titles to gain an aura of legitimacy.

The rip-offs begin when the promoters have no intention of sharing any of the proceeds with the charity. Often, they entice the charity to lend them legitimacy through the use of its name, sometimes offering a nominal amount to sweeten the pot. This is merely a delaying tactic to hamper prosecution, because an endorsement from a legitimate charity makes it much less straightforward to prosecute.

Bomb Scares

Another type of public event is the bombing. In a locale where there's been an epidemic of bombings, whether by terrorists or by people with mental problems, bomb threats can be convincing means of extortion. Again, the advantage for the extortionist is that he has nothing to do with any actual bombings, and thereby incurs lesser penalties if apprehended.

The con artist faces a dilemma in choosing his target, however. If he chooses a private concern, the odds are that he'll get away with it more easily. If he collects any money in the first place, than if he chooses a public building such as a school. Businessmen are less concerned with the possible loss of life, and may ignore his threat. In each instance, a "security officer" (assuming that the company's large enough to have one), will assess the threat and render an opinion regarding its credibility. The company's chief executive officer will make a value judgment, balancing loss of profits against the likelihood of the threat's being real. Businessmen know that in many instances, the disruption caused by the evacuation of a building in the wake of a bomb scare is the caller's main objective.

Public officials always take bomb threats seriously, especially when the alleged target is a school or hospital. They will do everything they can to appease the caller, but the other side of the coin is that the effort to apprehend him will be both more intense and more prolonged.

### Assassination

In some areas, assassinations are common. Troubled countries such as Colombia have more than their share of political and business-related killings. In many instances, the victims are not politicians but businessmen, and the name of the game is both political and pecuniary. In foreign countries, a phone call threatening the life of a businessman or the lives of family members can produce results. Relations with the local police are not the best, as a rule, and even if they were, the local police are only marginally competent. This clears the field for a con artist to threaten a victim and demand a ransom without even picking up a weapon.

### Credibility

Everything depends on the events surrounding the extortion attempt. If conditions are tranquil, the odds of being taken seriously are much less than if the situation is turbulent. It's very hard to resist when bombings and/or assassinations are almost daily happenings. An unstable situation is in the fraud artist's favor.

### NOTES

1. It's important not to confuse "coat-tailing" with another term, "coat-trailing." "Coat-trailing" refers to an espionage technique in which an agent leaves hints that he's willing to defect. He "trails his coat" behind him in the hope that someone will be enticed to pick it up and fall into the trap.
2. Money For Nothing, M. Allen Henderson, Boulder, CO, Paladin Press, 1986, pp. 8-9.
3. Ibid., p. 9.
4. Arizona Highway Patrolman, May, 1985, p. 43.
5. Money For Nothing, pp. 94-95.
6. One newspaper employed telephone solicitors to entice people into taking out subscriptions on the assurance that a children's shelter would get "full credit" for each subscription. What this meant in cold cash was 25 cents.

### MISCELLANEOUS LEGAL AND QUASI-LEGAL FRAUDS

We've looked at some of these in passing in previous volumes. These are "business practices" that are either accepted or not quite vulnerable to prosecution. All involve some degree of deception.

In business, as in hard-core fraud, the trick is to deceive without being caught doing it. In The Rip-Off Book, Volume 1, we saw how advertising agencies are staffed by people who specialize in lying by suggestion and innuendo. The point is to tell a lie without expressing it in so many words. This skill is an art more than a science, although some of the methods are simple and straight-forward. However, in many business scams, businessmen get away with them because people have accepted their schemes, and don't bother to prosecute.

Although prosecuting the people involved is often extraordinarily difficult, these widely-accepted practices are, in fact, fraudulent. Let's give some of these a once-over.

### Bait And Switch

This is a variation of the "come-on," a lure to get you into the store. The advertisement displays a real bargain, but when you arrive, you can't buy it, for one of various reasons.<sup>1</sup>

There are several ways to prevent you from buying the advertised merchandise and "switch" you to the more expensive pieces the businessman actually wants to sell. One way is to advertise material that's not in stock. When the customer arrives, he learns that the last item was sold just before he walked in. The salesman is only too willing to help the customer find a substitute, and steers him to a more expensive model that's still in stock.

It's not true that only hole-in-the-wall, fly-by-night, sleazy businesses practice this deception. Recently a national consumer electronics firm advertised a small pocket TV for \$49.95. This was a real bargain, but one customer arrived at the outlet nearest his home to find the sales manager saying that all had already been sold. He offered to show the customer a model costing \$99.95, and another priced at \$179.95. The customer decided to try another outlet of the same chain. Driving several miles, he came to another branch store, where he found the same problem. All of the models offered at the sale price had already been sold. Because he had business in an adjoining city, this customer decided to try at a branch there. The salesman in the store told him the same thing, and offered to show him a more expensive model. The customer by this time was irritated, and did not buy any.

This practice is illegal in many states. There are laws forbidding advertising merchandise unless the store has enough stock to satisfy the demand. However, the law hasn't stamped out the practice. The reason why it hasn't is a good example of how the law is inevitably far behind the con artist.

If you're selling TV sets or washing machines, it's reasonable to have a supply on hand. A used car dealer, on the other hand, typically has one-of-a-kinds. This is a virtual license to advertise a "loss leader" that's a fantastic bargain, sell it to a friend or relative on the morning of the first day, and continue to draw potential buyers in for several days afterwards. A dealer who advertises, whether in the print or electronic media, has to get his material in by a "deadline," a date and time beyond which the station or publication cannot accept any more insertions or deletions. Typically, ads run in blocks, which can be from a day to a month or more. The dealer who inserts an ad showing his "loss leader" knows that he cannot reasonably be held to account if the ad continues to run for three days, although the "bargain" is no longer available. This isn't right, but it's legal, and we continue to see this sort of "come-on."

"What's a 'loss leader'?" you ask. That's one item offered at a very low price, possibly with the retailer even selling it genuinely at a loss, to get you into the store. What his ad doesn't tell you is that other items have jacked-up prices to compensate for the sacrifice. This is a common supermarket tactic, and in fact it happens every week.

Another way of "switching" the customer is to criticize the advertised product. The salesman adopts a confiding manner and points out several real or imaginary deficiencies of the product. The irony here is that the deficiencies are more likely to be real than imaginary, which is why the price is so low.

Another sales tactic is a "tie-in" sale, or a special condition. We see this often on signs in supermarket windows. A sign that says "Five lbs. Sugar: 9 cents" has in small print at the bottom, "With Filled Stamp Book," or, "With Coupon." "Read the fine print" has become a watch-word in American life, because of the widespread use of fine print in deceptive advertising.

A collateral condition that sets up the customer for a royal shafting is buying on credit. We often find this in automobile and appliance sales. The selling price is attractive, but the cost of financing is punitive. Because of the way finance contracts are written, it's hard for the customer to tell if he's getting a good buy. Financing enables the retailer to sell at cost or at a loss, making a profit on the finance contract.

Another tactic used to switch you from the advertised product to a more expensive model is a "problem" with delivery. The salesman may tell the customer that although the item is small and portable, he can't take it with him because deliveries are made from a remote warehouse. Another obstacle might be telling the customer that, although the company is willing to sell it to him, demand has been so great that stock has run out. This is the "rain check" technique, and it may or may not be legitimate, depending on the company.

K-Mart, for example, issues legitimate rain checks when a sale item is sold out.

The customer can truly return and buy it at the sale price when more stock arrives. A store intent upon deception, however, will never get in any more stock of the "sale" item. The excuses are varied and endless. The salesman can tell the customer that the truck broke down, that a railway strike has stopped delivery, that the merchandise is held up in customs, etc., etc. Meanwhile, he suggests that the more expensive model is truly the better buy and, more importantly, immediately available.

### Deceptive Pricing

This is so common that it's widely accepted as legitimate. The most important variation of this is the false "list price." Manufacturers go hand in hand with retailers in this conspiracy, setting artificially high "list prices" to enable the retailer to give "discounts" and induce the customer to think he's getting a bargain.

This practice is universal in certain fields. Anyone seeking to buy a camera knows that every camera and discount store in the country sells at "discount." The same applies to automobiles. The "sticker price" is usually not the actual selling price. We'll get more deeply into this later, because automobile dealers are special cases in the study of legalized thievery.

The pricing of meat is truly an Arab bazaar. It's very hard to identify bargains in meat pricing if the retailer is out to "get" you. A cut of meat priced lower than most in competing markets may be simply untrimmed. If you buy it, you'll find the price to be the same or higher after you trim off the fat.<sup>2</sup>

## Freezer Plans

These are still mostly legal, and the only question is how badly you're going to get hurt if you buy. The method of operation is that the retailer or promoter offers you fantastic bargains in frozen foods if you buy his freezer. If you agree, you let yourself in for several types of hurt.

(1) The freezer is over-priced. The seller isn't in a hurry to make you aware of this. He never tells you outright what the cost of the freezer is, but just quotes you a monthly payment which is attractively low. Compare freezer prices before you sign anything!

(2) There's a collateral sale involved. You must buy the freezer from him, but you also tie yourself into buying frozen foods. The items he pitches may be attractively priced, but may not be what they seem. If he quotes you a price for meat, check if this means "hanging weight" or trimmed weight. You'll find that after you remove the bone and fat from a side of beef, you have about half of the "hanging weight."<sup>3</sup>

(3) Finance charges are what really hurt you. While many Americans are used to buying appliances on "time," most buy food for cash. Paying interest on food can easily wipe out any savings promised in the ads.

## Funerals

Undertakers, using the self-awarded title of "funeral director," specialize in taking advantage of people when they're most vulnerable. This is an over-crowded field, and a quick look inside several "funeral homes" will show that most of the facilities stand unused most of the time. Undertakers practice in a way contrary to most American businesses. They don't deal in volume. Instead of trying to provide many services for many people at the lowest possible cost, they seek to extract the most profit from a small number of services. Thus, each funeral becomes a "custom job," provided very inefficiently and as expensively as possible.

The main type of legalized scam performed by undertakers is selling unnecessary services, in the same manner as doctors often "sell" unnecessary treatments. Any one who has to arrange for the funeral of a close friend or relative is not in good shape to evaluate the products and services offered, and is open to a number of legalized frauds. The only mitigating factor is that the corpse doesn't suffer.

Embalming is a way for an ambitious undertaker to build up a sale. Although usually not required by law, Americans accept this practice, which tacks on a few hundred dollars.

Caskets are big-ticket items. Often, relatives buy caskets that are much more expensive than they need. All of them are over-priced. This becomes ridiculous when the plan is cremation. The expensive casket goes into the flames with the body.

If the relatives rent additional vehicles for the funeral, the undertaker usually doesn't stock them, but rents them from a limousine service. He gets a mark-up, of course.

The undertaker arranges for collateral services, such as flowers, newspaper obituaries, a grave-site, headstone, etc. All of these offer opportunities for mark-ups or kick-backs.

The best way for the survivors to avoid being victimized by an undertaker is to

arrange to have a hard-nosed friend make the "arrangements." He must be someone who is not closely involved with the deceased, and who can keep a clear head during the negotiations.

## Automobiles

This field is the happy hunting ground for the legalized con artist. Automobile sales and services are so necessary in American life that the competition is fierce. The field's crowded, but the customer doesn't benefit much from the competition because automobile dealers are almost universally greedy.

Let's start with comparing the customer's status before and after he buys the car. With a new car dealership, the problem is to entice the customer into the showroom. Because many potential customers work for a living, the showroom stays open past normal business hours, often well into the evening. In certain instances, the showroom will even stay open around the clock and on weekends.

Once the customer buys the car, he's dependent on the dealer for service, and to honor the warranty. This is when he finds out the good times are over. To get service, he must bring the car in during normal business hours, and he'll find the service department singularly unaccommodating, compared to the sales department. In some instances, the service manager is positively rude.

Every crooked and unethical sales tactic has been used at one time or another by automobile dealers. Probably most of them were devised by car salesmen. This is why automobile dealers and their poor relations, used car dealers, have such abominable reputations.

We've already seen how bait and switch is a standard tactic with car dealers. Unfortunately, this is only the starting point, to get the customer on the premises. Once the salesman has the potential client's attention, he begins with any of a number of dishonest tactics.

The "sticker prices" of new cars are painfully high, having increased at more than the inflation rate in recent years. There are several reasons for this. Car prices have been "administered upward" to allow both the manufacturers and dealers room for maneuvering in fooling the customer.

The first is the phony discount. With an inflated list price, it's possible to offer a discount and still earn a large profit.

The second is the battle for financing contracts. Auto manufacturers and dealers often run their own car financing businesses on the side. This puts them in competition with banks and credit unions. In this fight, they have one advantage that the other companies lack: they control prices of both the car and the credit. They can advertise low interest rates and make their money on the price of the car.

Often, there's a trade-in. This gives the salesman the opportunity to play one of two games: offer an excessive amount of money for the trade-in and make it back on the car price and financing, or offer a low selling price and make it back by undervaluing the trade-in.

The financing is another dangerous game for the client. This is what often gets the least attention, yet it's the biggest part of the deal. When the salesman has the customer tired from haggling, he pulls out a multi-page financing contract. This is where he truly stings the client, because the financing contract offers the greatest opportunity for padding and chiseling.

Many car buyers don't pay attention to the salesman when he puts the price of ac

cessories on the contract, and don't realize that they could save a lot of money if they bought the car stripped and put in after-market accessories. Dealer accessories are usually over-priced. Add interest charges and they're lousy buys.

The salesman, ever helpful, will offer to procure the plates and insurance on the new purchase. The customer pays dearly for this if he allows the salesman to include the cost of these on the financing contract. Typically, a financing contract is for a term of three or four years. Plates and insurance are for one year. Because the dealer earns money on any finance plan, he's happy to see the customer pay interest on everything he can write into the contract.

Sometimes there are "factory rebates." This means that the manufacturer sends the customer a rebate check after he buys the car. However, the customer pays the full price at the time of purchase, signs a finance contract, and continues to pay the interest on the money refunded to him. He also pays sales tax on it. If the price of his plates and insurance are keyed to the price of the car, he's also paying excessively for these. This is typical of the cool maneuvering that legally victimizes the many customers who don't understand it.

Car dealers, like all high-pressure salesmen, always try to put urgency into the situation. For this they have a repertory of lies and unethical sales tactics. If the customer shows an interest in a particular car, they'll slip in casually, "Oh, yeah, someone was asking about that this morning. I think they're gonna come back and buy it."

There may be a "limited time only" sale. Car dealers, like furniture stores, have recurrent sales, such as Washington's Birthday Sales, Lincoln's Birthday Sales, Fourth of July Sales, etc. Each lasts only for a limited time, and the customer who misses out is just out of luck. He'll have to wait until the next day to catch another sale.

Even if the dealer is between formal "sales," the unethical salesman has a few tricks up his sleeve. To keep the customer in the showroom, he'll offer unrealistic terms, perhaps chopping a thousand dollars off the price of the car the customer wants, or offering an unrealistically high trade-in. The salesman and the customer will sit down and sign a contract, and the salesman heads for his escape hatch. The contract is not valid, according to the fine print, until it's approved and counter-signed by the sales manager. This person will disapprove the contract. At this point, another salesman walks in to take over the sale. The customer, emotionally wrung out, is tired and vulnerable. If he doesn't keep his wits firmly about him and simply walk out when he encounters this tactic, he'll run into a truly pitiless exploitation as the new salesman negotiates another contract.

Even a contract often isn't worth the paper on which it's written, and serves as a vehicle for exploitation if the customer doesn't learn to dig his heels in and say "no." If the car the customer wants isn't in stock, the salesman will ask for a deposit to order it. This is a mistake, because the customer should be able to find something to his liking elsewhere. If the customer accepts this, and pays a deposit, he's leaving himself open to other scams.

With the customer's money already in hand, the dealer informs him when the car arrives that he made a mistake in the contract, and forgot to charge him for tinted glass or some other feature on the car. This is always a subterfuge, and the customer should never be a "nice guy" and agree to pay another hundred dollars or whatever the price is.<sup>4</sup> If he does, the dealer may find other, additional "charges" to tack on.

The car salesman has one final trick to pull if the customer's about to walk out without buying. He faces the client and asks him point-blank, "Would you buy th

is car if I could get the sales manager to get you another ---- dollars off? Would you buy it today?"

If the customer answers, "Yes," that's it. He's got the sale. That is the bottom line, by the customer's own word. This doesn't mean that the sale will be on the customer's own terms, however. The salesman will still go through the tricky business with the financing and the other maneuvers to chisel a few dollars here and a few dollars there.

#### What You Can Do

Buying a car is like walking through a minefield laid in quicksand. A basic defensive tactic is for you, the potential buyer, to shop around with the firm determination not to buy on that day. To help your resolve, it's best to leave your checkbook and credit cards at home.

The more you shop around, the more immune you'll become to the tricks of car salesmen. You can also help yourself avoid being pressured by being honest with yourself, and communicating this to the salesmen you meet. For example, you'll probably go car-shopping after work, when you're tired. Turn this into an excellent "out" when a salesman pressures you by saying, "Look, I've worked hard all day. I'm too tired to think straight right now. I'll come back tomorrow when I feel better."

Get figures from several dealers, and write them down. Compare them. While you're doing this, shop as carefully for the financing as you do for the car. When you think you have a package put together, compare the "bottom lines."

Because of the number of options available on cars, it's almost impossible to arrive at exact comparisons. This isn't an accident. Manufacturers and dealers don't want you to price-shop, because this would further stiffen the competition. This is why you have to use a certain amount of guess-work and judgment in evaluating the different "deals."

Above all, be realistic. Don't expect to "put one over" on a car salesman, no matter how clever a negotiator you are. Remember that the sales contract isn't valid until countersigned by the sales manager. He'll give it a cold-eyed once-over, and if he feels that his salesman gave anything away, he'll shoot it down.

#### The "Lifetime" Battery Rip-Off

Up to a few years ago, auto parts dealers would offer "lifetime" batteries. The purchase price would cover replacement of the battery without additional charge if it failed while the original purchaser owned the car. These were not unusually high-quality batteries. They cost more because the excess went for an insurance policy on the battery, in effect. As long as Americans continued to trade their cars in every couple of years, the battery manufacturers didn't have to honor many of these guarantees.

When automobiles increased sharply in price, fewer people bought new cars. Car owners held on to their cars longer. This upset the calculations of the companies which sold "lifetime" batteries because the contracts weren't voided as quickly when the owners retained their cars. Selling "lifetime" batteries quickly became unprofitable, and it ceased.

Some national chains had sold a large amount of these "lifetime" batteries, and were faced with the problem of many thousands of motorists who returned with failed batteries, having held on to their old cars because of the price crunch. This became a real problem, because all of these "lifetime" contracts were on paper, and not easy to deny or default.



Here's how one branch of a national chain handled the problem. When Ed brought his 1977 Rabbit in for his fourth battery change, at the company's expense, the service manager took a different tack. He told Ed that the reason the battery had failed was that his alternator was weak, and not putting out the amperage it should have. He informed Ed that the lifetime warranty would be voided if he did not have a new or re-built alternator installed. When Ed asked the price, he was told it would be \$159.00 for the re-built alternator. Ed quickly reasoned that this was enough to pay for a number of batteries, and he declined to let the service manager replace his alternator. The paperwork for the new battery stated, in the service manager's handwriting: INVALID WITHOUT NEW ALTERNATOR.

When Ed next saw his regular mechanic, he asked him to check the alternator output. The mechanic said that the alternator was performing properly. Ed decided to stand pat. A year later, both battery and alternator were still working properly, and Ed has retained the paperwork for possible presentation to the state attorney general's consumer fraud unit.

## Health Clubs

Many people sign up for these, letting themselves in for certain problems. One is that it's usually necessary to sign a contract to become a member. This obligates the signer for payments for a year or more. Some ambitious clubs sell "lifetime" memberships, which can bring with them other problems.

Some health club members find that when they try to use their memberships, the "club" is too crowded, and they can't get in except at 3 A.M. Others find that the health club goes "out of business" after they've signed up. If they've already paid their money, or signed a third-party contract which obligates them to a finance company, they're out of luck.

In some instances, the health club's "deal" looks too good to be true, and it is! It may be part of a "bust-out," calculated to burn the customers when the promoters leave town.<sup>5</sup> When the con artists have enough "members," it's "so-long."

## Self-Protection

It's necessary to be ever watchful in the marketplace because the law doesn't keep up with the scams. Some scams are perfectly legal. Others are legal until the law catches up to them. Always keep in mind that, legal or not, you are the first line of defense, and a suspicious attitude is often the most realistic one to have.

## NOTES

1. Fraud & Deceit: How to Stop Being Ripped Off, John w. Suthers and Gary L Shupp, New York, Arco Publishing Inc., 1982, pp. 22-24.
2. Ibid., pp. 25-26.
3. Ibid., p. 27.
4. This happened to the author the last time he bought a car. Learn from experience!
5. Fraud & Deceit, pp. 32-33.

## FRAUD SALAD: AN ASSORTMENT OF CON GAMES

There seems to be no limit to the variety of frauds that nimble-minded con artists devise. Let's look at some of the astonishingly diverse ones.

You're Fired!

Two con artists, posing as agents from the home office of a theater chain, arrived and informed the manager of the local theater that he was under suspension for dishonesty. They told him to go home, and took over his office, stealing the contents of the safe.

### The Sick Engineer

This is a stock-fraud game, adapted to the Twentieth Century. A con artist, claiming to be a stockbroker, tells the mark to buy all he can of a certain stock because he has "inside information" that it's about to take off. A few days later, the victim "happens to meet" a man who claims to be an engineer and says he needs a lot of money to cover his huge medical bills. The man mentions that he has a quantity of the stock. The mark, motivated by the opportunity to make a quick profit, quickly reaches an agreement with the "sick engineer." He buys the stock from him at an attractive price, under market, and goes home happy. The "sick engineer" and the "stockbroker" disappear.<sup>1</sup>

### Airline Ticket Scams

Airline tickets, because of the cash-in feature, are easily convertible to cash. There are several ways of cheating on these.

One is to buy an infant's ticket and add some forged notations to turn it into an adult ticket. This is worth more money on cash-in.

Another way is to change the destination to one carrying a higher fare. A ticket from Boston to New York will bring a bigger refund if the con artist changes it to read Boston-Paris.

Airline tickets also have value in money laundering. They're not generally recognized as currency, and therefore afford a legal way to circumvent currency controls, or to change one country's currency into that of another. A way to obtain airline ticket blanks for these scams is to set up a phony travel agency. Another is to burglarize a legitimate one.<sup>2</sup>

One feature of airline tickets that contributes to the problem is that many travel agencies use generic ticket blanks, which they fill out in the name of the airline when they sell a seat. This subverts any attempt at standardization and control to ensure that only genuine tickets get into circulation. All the fraud artist needs is a machine printer, available in any computer shop.

### Three-Card Monte: A New Locale

Although this is a classic con, and we've looked into it in Volume I,<sup>3</sup> it keeps cropping up in new places. The Portland, Oregon, Mass Transit System was the locale for a new epidemic of this con game, and Transit Police received complaints from fleeced victims.<sup>4</sup>

### Fake Franchises

Although many small businessmen are earning their living at franchises, this has created an opportunity for con artists to pass counterfeits. Some of these fraud artists promote "worm farms," and others sell distributorships of ineffective gas-saving devices. The Better Business Bureau estimates that these swindlers collect about half a billion dollars a year with these schemes.

The variety of bogus "franchises" and "business opportunities" is colorful. Recently, con artists in New York sold "distributorships" in energy systems, collecting between \$30,000 and \$50,000 from each victim. In Nebraska, a swindler collec

ted money from people to whom he sold franchises in mobile pet grooming services

.

A multi-state ring of "worm brokers" and a "worm grower's association" sold investors in Wisconsin the paraphernalia for growing worms, and used the "association" to ensure a "market" for the worms. In New Jersey, a man conned into "distributing" solar energy collectors found not only that they were fake and he'd lost his investment, but that he might be legally liable for lawsuits arising from his activities.

This is perhaps the worst aspect of the "franchise" or "distributor" con. Not only does the victim lose his shirt, but he becomes the defendant in lawsuits.<sup>5</sup> If the business involves cheating other customers, he can be the co-conspirator in a criminal prosecution.

### Boiler Rooms

This activity pops up repeatedly, and probably will continue as long as telephones exist. A warning by the Chief Postal Inspector<sup>6</sup> showed that telephone "boiler rooms" have been used for selling fake minority-publication advertisements. The method of operation is to hire people who either have or can mimic minority speech patterns and use them as telephone salespersons. They contact businessmen and persuade them that they can cement their minority relations, or satisfy the requirements of the Equal Employment Opportunity Act by placing ads in the publication.

Usually, the publication is only one copy, with photocopies of the "tear sheet" sent to clients as "proof" of the ad. If the advertiser can be persuaded to sign a contract for more than one ad, this offers even more profit to the con artist

.

Fake "prize" schemes that require the "winner" to buy some promotional merchandise is another boiler room operation. The mark gets a phone call informing him that he's been computer-selected to receive a major prize. The pitch comes next. In return, the "winner" must buy some promotional items, such as pens printed with his company's name. When he gets the package, C.O.D., the victim finds that he's paid for low-quality material, and may not even get the promised prize.

Another boiler room scam is to telephone purchasing agents and offer them premiums for ordering office supplies from a particular supplier. The premium can be anything from a small gift certificate to a car. This is obviously a gratuity, and the purchasing agent becomes hooked. There may even be a threat to expose him to his boss if he doesn't buy regularly.

Another office con is for a fraud artist to telephone a company, pretending to be an employee of the company that services copiers and sells supplies. He asks for the number of the machine, and then lets drop that there's been a price increase for copier supplies. He tells the purchasing agent that there is a quantity of material at the old price still in stock. If the purchasing agent bites, he will receive off-brand toner, developer, or paper that may not be compatible with his machine.

The postal inspectors become involved when fraud artists use the U.S. Mail. The telephone company stands aloof, consistent with its long-lived policy that it's not responsible for use or mis-use of telephone service. In fact, telephone security officers involve themselves only if con artists try to cheat the telephone company. Therefore, boiler-room operators are careful to pay their bills as long as they need telephone service.

### Carnivals

Many decades' experience have shown that practically all carnival games are crooked. One reason carnival operators continue to run crooked games is they have a liaison man who performs the functions of an "advance man" for them, especially in negotiating with local police. This person is known as the "patchman," and he has a number of techniques to avoid problems with the law.^7

One is to invite the local police to inspect the carnival and its games before they're open to the public. The patchman assures the officer that if he sees anything objectionable, it'll be withdrawn. This is apparently open and disarming, but it enables the carnival operators to judge the police officer's knowledge of fraudulent games. It also provides the crooked operator with a defense witness in the officer if there's a prosecution later. He can have the officer testify that the game was legitimate when he saw it.

Another technique the patchman uses is persuading the officer that he'll resolve complaints against the carnival. This is merely a way of avoiding official action. The patchman who mollifies a victim of cheating and refunds his money is getting away very cheaply, compared to going through a prosecution.

### Medicaid Fraud

Although the federal government is aware of the wide prospects for fraud in the various federally-aided health care programs that have been known collectively as "Medicaid," the problem continues. The reason is obvious in a report published by the National Institute of Justice.^8

The report starts out by stating that no statistics are available regarding fraud in welfare programs. There's an "estimate" of \$668 million in frauds in Medicaid for 1977. The figure is surely higher now. The report states explicitly that legislators are unwilling to face the facts on fraud.

The picture looks very gloomy with regard to prosecuting such frauds, and gloomier yet regarding prevention. The reason is that the fraud artists are among the best-educated people in the country, medical doctors, and these people have enough smarts to disguise their scams. In fact, the scams they perpetrate the most, unnecessary tests and treatments, are simply those that they normally use to defraud their paying patients.

Prosecution only happens when there are large-scale abuses because the doctors get too greedy and feel that none of their claims will be questioned. The recent incident in Arizona of doctors billing the state for the continuing care of people who had died is a good example.^9

If you're elderly, or on Medicaid, this can mean a lot to you. While you may feel that it's not money out of your pocket if the state pays the bill, a doctor who prescribes unnecessary treatment or tests may be denying you essential care in his greed to collect. With the recent cutbacks in payments, patients now have to pay a larger share of the bill, and those on Medicare are being hit the hardest. Finally, unnecessary drugs and treatments can hurt you.

### Fake Farmer's Lobby

There's no estimate of the number of fake lobbies, any more than there is of fake charities. One recent fake lobby was started by a man named Roderick Elliott, who gathered a number of farmers together to announce that he was forming a lobby to work for farmers' causes. He bilked one Texas farmer for

\$25,000, collecting a total of \$300,000 from his victims.^10

One reason this con game worked is that farmers are heavily in debt. The unfavorable markets facing farmers have caused many to be behind on their payments. Con artists, ever alert to the latest news and trends, are quick to exploit the events as golden opportunities for them. Forming a fake lobby is only one type of scam. Another is to act as a "loan broker" and collect advance fees for finding low-interest loans for farmers, in the same way that advance fee artists bilk other businessmen.

Yet another way is to pose as a "consultant." Legitimate consultants usually charge high fees, and because they're consulted by people who need to pick their brains, their clients can't truly judge whether or not they get their money's worth. The door's wide open for fake consultants.

## Charities

There are professional fund-raising organizations claiming to provide income for various charities. Many operate boiler rooms and "pitch" their victims by telephone. Sometimes their pitch is truly compelling. Recently, a fund-raising organization using the name of the Maricopa County, Arizona, Sheriff's Office telephoned citizens to sell tickets to rodeos. The proceeds were to go to the various charitable activities sponsored by the Sheriff's Office.

The calls were legitimate. Anyone who sent in his check would promptly get the promised number of tickets. The Maricopa County Sheriff's Office actually had a contract with these professional fundraisers authorizing them to call in its name. The catch was that the fund-raising organization kept the largest proportion of the proceeds, and less than 20% went to the charitable activities.

This can't be too surprising. A fund-raising promoter who operates a boiler room (for this is what it is) must pay the rent and the telephone bill. He hires salespersons who operate on commission, often 20% to 40% of the "sales." He must make a profit himself. Considering this, it would be surprising if the charity got more than a small part of the money raised. Sometimes it's as little as 4%.

## Boiler Rooms: A Final Peek

The advent of low-cost leased lines has helped the con man as much as it's helped legitimate businesses. This permits operation of out-of-state boiler rooms, staffed by professional salesmen telephoning mooches (a slang term for someone who's easy to sell) all day and into the night.

The main advantage of the out-of-state con, via the telephone, is that it stymies law enforcement. We've seen how tardy and fragmented American law enforcement is. With the jurisdictional problem, many boiler room operators are able to avoid prosecution altogether, staying giant steps ahead of the law.

## Recent Gold Bullion Scams

The Allerdice brothers and a man named Alan Saxon operated two parallel gold bullion scams.

"International Cold Bullion Exchange" was the Allerdice operation. Saxon was "Chairman" of the "Bullion Reserve," with a truly compelling appeal to a certain minority. Saxon sold gold that was supposedly warehoused in vaults in the Rocky Mountains, and these vaults were supposedly designed to survive nuclear hits. This made it appealing to the wealthy segment of the survivalist movement.

The problems that arose were that the gold didn't exist in many instances, and that telephone sales were mere boiler-room operations. The clients bought warehouse receipts, supposedly sounder than U.S. currency because they're allegedly back-

ked by gold. However, warehouse receipts are obviously easy to falsify, and many were fakes. The outcome was that only a tiny amount of the gold bought by customers actually was in storage.

Another problem that arose was that these boiler-room operators sold deferred-delivery deals, which have been illegal since 1978. The problem is that few people know the convolutions of the precious-metal and securities laws, which allows a plentiful supply of potential victims.<sup>11</sup>

#### Rental Fraud

A good and quick way to earn money without investing any capital is to rent out property you don't even own. One way of getting the keys is to pretend to want to rent it from the real owner. Another way is to rent it legitimately, investing a month's rent to assure that the real owner won't be sending other people around or visiting the property frequently.

Darlene Ann Mitchell was arrested by police in Mesa, Arizona, for allegedly fraudulently renting apartments and condos in Arizona and in Florida.<sup>12</sup> The fraud in Arizona came about because Mitchell rented a condo to more than one person. At the time of the arrest, at least two fraud victims had stepped forward. Mesa police found that Mitchell also held Florida driver's licenses in several different names. Some of the names she's used are Darlene Ann Slater and Darlene Ann Bucalucarelli.

In addition to the Mesa warrant, Mitchell is wanted on three warrants from Florida, charging her with at least 22 counts of grand theft associated with an apartment rental fraud. In Delray Beach, for example, Mitchell was arrested by police after two couples complained about the frauds. When the news of Mitchell's arrest made the media, 11 more couples stepped forward to complain to the police that they'd paid rentals on the same apartment. In running the business in Florida, Mitchell used the name of Sue Perrene, a former roommate of hers, who was not involved with the fraud, according to police.

Yet another warrant, this one from Cary, North Carolina, is out on Mitchell in connection with a similar scam there, according to Mesa police. In addition, the Palm Beach County Sheriff's Office is looking into possible links between Mitchell and "Prestige Card Services," an outfit that advertised that it would approve American Express credit card applications for a fee of \$35.00. The U. S. Postal Service's inspectors are also investigating the affair because of a possible connection with postal fraud. A woman using the name of Linda Perene, a name that according to Palm Beach Circuit Court paperwork is an alias used by Mitchell, rented several post office boxes for two concerns, Video Eye and Prestige Card Services.

The foregoing example shows that a fraud artist can use a variety of scams, switching from one to another as the situation dictates. Fast-stepping fraud artists can delay discovery and arrest, sometimes indefinitely, by changing modus operandi so as not to lay a clear trail.

The straight rental scams are still with us because they're lucrative and easy to carry out. Another Florida report states that a woman, using an alias, rented a house in Pensacola. She then put the house up for rent with a classified ad, and accepted deposits from people who responded. She gave them all keys to the house in exchange for two months' rent, and told them that the house would be ready for occupancy by a certain date. This gave her enough time to collect money from stragglers, and to clear out.<sup>13</sup>

#### The Lost Dutchman Gold Mine

This mine is allegedly in the Superstition Mountains of central Arizona, east of the town of Apache Junction. According to legend, a German miner found a fabulous gold vein in the mountains decades ago. Depending on which version of the legend you choose to believe, the "Dutchman" then: (1) died without telling anyone where it was, (2) left the location of the mine marked on a map which the person relating the story will happily sell you for a certain sum, or (3) died and the reby abandoned the mine, which was later discovered by another prospector who chose to reveal his find to YOU, and to give you the opportunity to "invest" and thereby reap a tremendous reward.

This last version was the one used by a man named Robert Simpson Jacob, also known as "Crazy Jake," an alleged prospector who bilked 25 to 30 people of many thousands of dollars with this scam. His victims included doctors, the chief executive officer of an oil company, and a medical technician.<sup>14</sup> According to the prosecutors, he may have fleeced as many as 30 people with his scam.

There are several remarkable features about this particular con. The first is that the con artist had only an eighth-grade education. By contrast, some of his victims were very well educated. One was Wyman Shepherd, Chairman of the Board of Shepherd Oil Co., presumably astute regarding business matters. Finally, instead of a full-fledged prosecution, the Attorney General's office went for a plea agreement which also calls for the payment of restitution. Only time will tell if the restitution will finally be fully paid.

### Clearing The Field

A persistent problem for a burglar is to ensure that the premises will be clear before he enters. Some take active measures to clear the field before they burglarize the premises.

One way to do this is to use a pretext to get the occupant out of the way. In some instances, a wily burglar was able to con the occupant of a small office away for the time it took to slip in and pick up her purse. The modus operandi was to telephone the victim, usually a secretary or other clerical worker alone in an office, and tell her that the caller had some mail mistakenly delivered that belonged to her office. Arranging to meet the employee in the lobby served to draw her away from the office long enough to burglarize the place and make off with her purse.<sup>15</sup>

This isn't a clever scam, but a simple one that works only with basically stupid people. Leaving the office unattended without at least locking the door is simply dumb. Leaving valuables, such as a purse, in a place where an intruder can easily see and steal it compounds the stupidity.

### The Con Men Are Out There

There's always a new variant of traditional con games cropping up. Each new invention, law, social development, or economic crisis breeds a con artist ready to cash in on peoples' hopes and fears. They spend their lives thinking up new ways of outwitting their fellow man, and they're successful often enough to earn some very good livings at it.

### NOTES

1. Training Key #7, International Association of Chiefs of Police, 1973, p. 68.
2. Seattle Times/Times News Service, August 11, 1985.
3. The Rip-Off Book, Victor Santoro, Port Townsend, WA, Loompanics Unlimited, 1984, p. 64.
4. The Police Chief, June, 1985, pp. 40-41.
5. Investor Alert, Council of Better Business Bureaus, Inc., October, 1984.

6. The Postal inspection Service Law Enforcement Report, Summer, 1983.
7. The Police Chief, June, 1985, pp. 38-39.
8. Responses to Fraud and Abuse in AFDC and Medicaid Programs, National Institute of Justice, 1983.
9. Arizona Republic, October 23, 1985.
10. USA Today.
11. Flim-Flam Man, M. Allen Henderson, Boulder, CO, Paladin Press, 1985, pp. 118-121.
12. Tempe Daily News/Mesa Tribune, October 15, 1986.
13. Money For Nothing, M. Allen Henderson, Boulder, CO, Paladin Press, 1986, p. 18.
14. Arizona Republic, October 15, 1986.
15. Money For Nothing, p. 73.

## WHERE TO GO FOR HELP: PUBLIC AND PRIVATE AGENCIES

If you think you've been the victim of a scam, there are some public and private "resources," to use a fashionable word, which you might consider tapping for help. Before you start, you'd better know a few things about what to expect. The public-relations picture these agencies put out is in some ways quite different from reality. Let's look at several categories of services and see what they are, how they work, and what you can expect from them.

### Public Agencies

These are government-operated, and include a great number of different types. They range from the U.S. Postal inspection Service, a consistently competent and aggressive law enforcement agency, to state bureaus of weights and measures.

### Law Enforcement

Law enforcement agencies have branches of various types to combat bunco artists.

There are several problems with contacting them. The first is finding the one that has jurisdiction. In this country, there are federal, state, county, and municipal agencies, and the division of labor between them is confusing, especially for someone unfamiliar with the system. Even professional law enforcement officers sometimes have difficulty determining jurisdiction. We also have to consider inter-agency rivalry and the role of politics, which further degrade effectiveness. The net result is that you can be bounced from one agency or office to another, being told each time that the office "down the hall" is the proper one to consult.

Many big-city police departments have fraud or bunco squads, with specialists who can at least understand your problem. Smaller agencies are less sophisticated.

They can call upon a nearby large agency for help, but are rarely willing to admit they need it.

The help you get from the cops depends on who you are and upon your situation. If you were a big contributor to your local sheriff's last campaign, you can be sure you'll get respect and your complaint will get attention. If you're a sharecropper, you're less likely to get any sort of priority. In a large city, you may be only one of many, and become lost in the crowd and the shuffle.

The second problem is some scams have a built-in "stopper," calculated to deter you from going to the police. If you're the victim of a "Williamson-Type" scam, and find motor oil dripping off the sides of your house, you'll register a complaint quickly. However, if you were trying to buy goods that you'd been led to believe were stolen, and got ripped off in the process, you won't be as eager to complain to the police. If you're married, looking for a prostitute, and were vic



timized by a "Murphy" scam, you're not likely to go running to the cops.

Finally, we have to consider the general ineffectiveness of police agencies. The simple fact is they don't solve most of the crimes reported to them. This may be hard to believe, but check the FBI's Uniform Crime Reports, a copy of which is usually available in the local public library. This gives the number of crimes reported in this country and the "clearance rates," the crimes cleared off the books by arrest.

The bright exception to this dismal picture is the U.S. Postal Inspection Service. Postal Inspectors cover the entire country, which means if you have a complaint regarding mail fraud, there's one within reach. Even if you live in a small town, contacting your local postmaster will put you in touch with a Postal Inspector.

Postal Inspectors are somewhat more consumer-oriented and efficient than most other federal police forces. The most favorable aspect of the Postal Inspectors is they're not publicity hounds, as are certain other agencies. This means they will pay close attention to small cases, not only the big ones that can generate headlines for them.

### Small Claims Courts

These can be very useful, because they were designed to help the small person. Usually, you don't need extensive paperwork to file a complaint, and the hearings are informal. This means you don't have to go to the expense of hiring a lawyer.

Small claims courts usually don't impose much delay in hearing cases. The judges make serious efforts to handle cases quickly, because they know justice is defeated when it's delayed.

One catch with small claims courts is that most have an upper limit on the dollar value of the case. This is usually around \$1000. If your claim involves more than that, you'll have to go to another civil court and probably hire a lawyer.

Another catch with these small claims courts is they're civil courts, not criminal. If you've been the victim of a criminal scam, don't expect much help from a small claims court. Another problem is the party against whom you have a claim must appear. If he's left town, you're out of luck. A summons can't reach very far, and doesn't work very well against someone who is highly mobile and who changes his name frequently, as some con artists do.

### Government Consumer Offices

These can be federal, state, or local. Sometimes the office is a separate bureau of consumer affairs. In other instances, it's the "consumer fraud division" of the attorney general's office. They vary in effectiveness because of local conditions. Some are very aggressive, and a shady businessman buys a pack of trouble if one of them gets on his case. In other locales, they're absolutely somnolent and ineffective, staffed by paper-pushers only going through the motions.

Generally, in many western states, these offices are under-manned and ineffective because the workload is too much to handle. State legislators are businessmen themselves, and they know the way to keep officials off their backs is to starve them for funds. This results in a certain pattern of response.

When you write a letter of complaint to the state attorney general's office of consumer fraud, one of his staff sends a letter to the company against whom you're complaining. The company writes back to them, telling them that the "problem"

has been solved. The attorney general's paper-pusher reads this letter, then contacts you, saying the case seems to be satisfactorily resolved from the information he's been able to develop, and that the attorney general's involvement is therefore at an end. The agency never sends an agent out to investigate anything.

Licensing boards supposedly regulate the quality of doctors, nurses, contractors, undertakers, pharmacists, lawyers, accountants, employment agencies, collection agencies, private investigators, barbers, and other professions which they're empowered to license. Theoretically, if you have a complaint against a member of any of these groups, these are the people to see.

There are a couple of problems with this. The first is that often their real purpose is not so much to assure quality as it is to stifle competition. We've already seen this is particularly true in the medical field. Licensing boards are typically composed of members of the occupational group they regulate. Self-policing, a bad idea from the start, usually doesn't work very well.

The second problem stems from the limited authority these licensing boards have.

Even if one is thoroughly honest and devoted to maintaining the highest standards, it can only impose slaps on the wrist. The licensing authority grants and revokes licenses, suspends licensees, or places them on probation. Typically, it has no law enforcement authority, and consequently the satisfaction you can get from one is strictly limited.

### Regulatory Agencies

These can be federal, such as the Federal Aviation Authority and Interstate Commerce Commission, or they can be state agencies, such as a "corporation commission" or a bureau of weights and measures. These have "regulatory authority" over several spheres of business, such as radio and TV, railroads, insurance, and utilities. Usually, they're staffed by the people they're supposed to regulate, which makes them unwilling to go to bat for the consumer. In other instances, the directorships of these agencies are simply political plums, handed out by the governor to the people who helped most in getting him elected. In some corrupt jurisdictions, people "buy their jobs" on the staff, and collect state paychecks for doing little or nothing for the rest of their careers. These are not the kind of people who are going to investigate or prosecute a case vigorously. Even with 100% dedicated people, they have little authority, and typically can only impose civil penalties, slaps on the wrist.

We can make one general statement about all these public agencies: They're solidly on the side of the businessman. If the person who defrauded you used one of the established business scams, he's almost immune to anything you can do through these agencies. If, on the other hand, he's using a scam that's indictable, and he's not part of the "business community," the regulatory agencies can still do almost nothing because it's a job for the cops.

Consumers who complain to these regulatory agencies will often be frustrated by the one-sidedness of the process. The complainant has to fill out forms, and go through the established procedure to have his complaint noted. The company gets the benefit of every doubt. The regulatory agency usually accepts the businessman's word for it that there's no problem, or if there was, that it's been resolved satisfactorily.

### Semi-Official Agencies

These are groups of various types which take an interest in consumer affairs. One such is the Better Business Bureau. This is supposedly an alliance of member businesses devoted to keeping standards of honesty in the marketplace. The BBB has one serious problem: it depends on voluntary compliance from its members, and

has no authority whatsoever over businesses that aren't members.

Another type is the industry association, which sometimes handles customer complaints directed against one of its members. It may do so by third-party arbitration, which can be effective. The main problem in seeking help from such a group is making contact. Most are headquartered in one city and have no branch offices. Most do not have 800-numbers, and it costs the consumer to call. If there's nobody there to help at the moment he calls, he may have to call again. In the best of circumstances, results are slow and uncertain.

#### Private Agencies And Offices

Individual corporations have their in-house "bureaus of consumer affairs." Their value depends on the individual case. Some are fairly effective, others are not. Generally, if the company is serious about consumer affairs, few customers will find the need to lodge complaints.

We see this especially well in a minority of companies which are serious about assuring customer satisfaction.

Sears, Roebuck & Company is one retailer which stands behind its merchandise, and usually customer complaints are resolved immediately at the local store.

Zippo is a manufacturer of cigarette lighters with a legendary reputation for guaranteeing its products.

Dillon Precision, a manufacturer of cartridge reloading equipment, provides an 800-number for customers to call with their problems, and company literature tells customers "Don't Suffer in Silence."

Sometimes the office of consumer affairs is simply a public-relations dodge. Unethical businessmen know it's better to make a big show of satisfying unhappy customers than to risk additional publicity and official intervention. Self-policing is less troublesome and costly than doing nothing, which can ultimately result in government regulation.

In cases where consumer affairs is a phony function, the method is simply to tire the customer out.

He's invited to fill out forms, to tell his story repeatedly, until he tires of the whole affair. He may get token satisfaction, but usually only after a long delay.

#### Media Programs

Some TV stations have consumer advocate functions. These go under catchy names such as "3 on Your Side," "Hot Line," "Action Line," etc. Their effectiveness varies greatly and what one of them can do for you is uncertain.

The first fact to keep in mind about any of these media lines is that they're out for sensationalism, as are the media generally. Because the main purpose of any paper or electronic mass medium is to attract an audience, it tends to concentrate on spectacular "news," trying to out-do the competition. If you're an elderly grandmother swindled out of her life savings by an unscrupulous person, you're big news, and the TV reporter will milk your case for sympathy. If your complaint and personality are more mundane, you'll have to wait until "Action Line" has attended to all of the grandmothers.

The second point is these are entirely unofficial agencies. They have no power of arrest or of investigation, and not even the authority over voluntary members,

as does the Better Business Bureau. They're not obligated to take your case, or even give you the time of day from your own watch. The net result is that a businessman can simply stonewall them if he wishes. While some people will comply, because they have an exaggerated fear of the "power of the press," the smart ones know the press is really a toothless tiger, and that if they ignore it, the reporters will move on to a more profitable subject.

## Lawyers

There are two types of legal assistance, public and private. The public agency is often a semi-private, semi-public agency funded by both private means and federal money.

Legal Aid attends to the needs of low-income people. The problems with this sort of agency are that they're usually overloaded, and employ only raw recruits fresh out of law school. Some of these make up with enthusiasm for what they lack in experience and general court-house savvy, but you may not be lucky enough to get one of these.

A private lawyer is the last resort. Sometimes it's not necessary to go the whole route to court. In certain instances, when all else has failed, a letter from your attorney to the company will get results. A hard-nosed businessman who knows he can ignore "Action Line" also knows that if he ignores a lawyer, he may end up with a summons, which he cannot ignore.

People have a realistic fear of being sued. The American Bar Association stated that the number of practicing lawyers in the United States was 285,933 in 1960, but today stands at 653,680. This increase is out of proportion to the increase in population. Lawyers have to do something to earn their livings, and what they're doing is suing people. Civil suits filed have increased by 5 to 10 percent per year for the past decade and a half.

Consumer and malpractice suits are big business. Even the implied threat of such a suit rattles cages.

Consulting a lawyer can cost anywhere from ten to eighty dollars for the first visit. Some "legal clinics" offer free initial consultations. Established lawyers tend towards the high end of the scale. Generally, that first visit will get you a letter to the offending party. If that doesn't do the trick, be prepared to go the whole route.

For further information write for the Consumer's Resources Handbook. This is published by the United States Office of Consumer Affairs. You can get a single copy free by writing to:

Handbook  
Consumer Information Center  
Pueblo, CO 81009

The value of this book is as a reference guide. It contains the names and addresses of most of the agencies that deal in consumer affairs in this country.

The first few pages present a guide to handling your own complaint. This can be very helpful to someone who has absolutely no idea of how to rattle cages, but you should be warned that this guide presents only the "official" point of view. It tells you to write letters, and how to find the appropriate party. Following this guide may or may not bring you satisfaction, but it will certainly result in a long delay. Additionally, the procedures outlined in the guide are mainly useful for dealing with established and responsible companies, not con artists who are here today and gone tomorrow.

Another problem with this guide and the entire official point of view is that it's very wasteful of time. The guide repeatedly recommends that the complainant follow a hierarchy of steps. The first is to complain to the seller. The next is to complain to the parent company, if there is one. After that, the procedure is to contact the Better Business Bureau or a state or local agency. If these steps fail, the consumer is advised to contact a trade association or a federal agency. The last resort listed is court, either small claims or superior court, with a lawyer.

From a practical viewpoint, this is a very difficult and frustrating procedure to follow. Examining it closely shows that underneath there isn't a serious concern for the consumer.

It's difficult for anyone who has to work for a living to follow all these steps. Each one takes time. Each one requires the consumer to tell his story at least once more to another person, and perhaps to fill out more forms. Each step means more time spent in traveling to each separate office, finding a place to park, etc. Anyone who loses pay for time off from work will soon find this to be a deterrent. The process is tiring, as well as time-consuming, and really designed to fatigue the consumer and persuade him to drop the matter. This is why angry consumers sometimes explore alternative ways of getting satisfaction.

#### What You Can Do

When victimized by a scam, the first step for you is to decide whether you can get, or even want, official or semi-official help. If you've let yourself in for what can turn into a sexual scandal, you may simply have to cut your losses and take direct action.

Choosing the right agency to help you is next. The scam might be a civil or a criminal matter. In many cases, as we've seen, the criminal code simply doesn't cover various forms of legal victimization. In fact, the big criminals are the ones who write the laws. If the fraud is clearly a criminal one, don't waste time with intermediate steps, but go to the police immediately.

The next point is whether the person or company that victimized you is a still or moving target. A company that remains in the same place for years is vulnerable to a summons from small claims court, for example. A phony "bank examiner" is not going to stick around waiting for a process server. In such a case, you contact the police or the FBI immediately. Even that may be too late, because fraud artists don't necessarily wait for police to catch up with them.

Victims of fraud have the same right to self-defense as victims of violent crime. The means differ. It's not legally or morally justifiable to use deadly force against a swindler. However, it's possible to take unofficial and non-violent action to hurt a swindler badly. It's up to you.

#### SOVIET CONSUMER RIP-OFFS

Occasionally we get a peek at what's happening on the other side of the hill. The Soviet Union has a state-controlled economy, which is of quite a different character than most Western economies. They do share certain problems with other industrialized states. Pollution is one. Crime is another.

Mr. Gorbachev is a "reform" leader, and since he came to office he's campaigned to clean up the inefficiencies and derelictions in the Soviet Union. He's found a lot to occupy his time. The most recent scandal concerns the frauds in the economy, according to Pravda, November 20, 1986, and quoted in United Press International, November 21, 1986.

In April, 1984, an investigation stretching across the country was set up by the People's Control Committees. This was to uncover corruption, and the results were astonishing. In the Soviet Union, factories have to meet production quotas, but this system, like ours, allows for much sloppy work, including the falsification of figures. According to Alexei Shkolnikov, the Chief of the Control Committees, there were fraudulent production reports, fictitious reports of new units introduced into production, and falsified cargo transportation statistics. The 30-month investigation resulted in discipline for about 100,000 Soviet managers and executives, and the firing of 13,000.

An example cited was the Soviet railways. Of the 11 investigations conducted, 7 turned up falsifications of the amount of goods shipped. There were other falsifications in the oil, building, fertilizer, oil machinery, and road-building machinery industries.

According to Shkolnikov, there was also seriously defective inventory control by government officials, so that it was difficult to find the amount of some basic goods. There were also problems in the distribution of state-owned housing. The amount of waste also turned out to be scandalous.

The Kharkov Tractor Factory was an example cited. 14 percent of its tractors did not last through the warranty. A sampling of 20 agricultural regions disclosed that less than half of the storage facilities were serviceable. 17,000 cases were sent to prosecutors for possible action, said Shkolnikov.

We have to cope with the Defense Department's buying \$600 toilet seats and \$400 screwdrivers, but apparently, we're not the only ones with problems.

#### THE WRAP-AROUND CONTRACT RIP-OFF

Thomas considered himself to be a fairly sophisticated person, and when he put his house up for sale he thought that he'd figured all of the angles when Snively, the buyer, asked for a "wrap-around" contract. The exact terms of the wrap-around contract vary from state to state and also depend on negotiation between the parties, but basically, they work like this: The "wrap-around" is for people who don't even have the money for a substantial down payment. The buyer finances the down payment. He may also take over the payments on the original mortgage, which is usually called a "CTM," (Cash To Mortgage) contract. To protect the seller, the contract calls for the property's reverting to the seller if the buyer defaults on payments. The wrap-around is a useful tool for a seller anxious to make a sale, and who wishes to take the risk of a buyer who cannot get credit the usual way from a bank or finance company. It can also blow up in the seller's face, as we'll see.

Thomas had a friend of his, who was a licensed real-estate agent, draw up the contract. This agent was not as much on the ball as he should have been, because one of the papers he let Thomas sign allowed the buyer to obtain a second mortgage on the house. This was the ticking bomb that finally blew up in Thomas' face.

Three years after the sale, Thomas found that the buyer was dumping the house back in his lap. The buyer had rented the house in the meantime, and used the rent to make the payments. He intended to move out of state, but before leaving, he obtained a \$19,000 second mortgage on the house. Thomas was now liable for this, as he'd accepted the return of the house and was now in fact living in it.

The buyer had made \$19,000 on the deal. The house had cost him nothing because he'd put no money down, and used the rent to make his payments. He was able to walk away from it, even though theoretically he had some equity tied up in it. The

\$19,000 more than covered that.

Thomas can console himself that he's made a bit on the equity, and that the house has, in fact, appreciated somewhat in value, as have other houses on his block. He won't see any of the money, though, because he's living in the house' and will continue to do so for many more years. However, he now has to make the payments on both the first and second mortgages, which wipes out any profit he otherwise might have made.

#### A FINAL WORD

It will probably never be possible to compile a comprehensive encyclopedia of fraud, despite the extensive listings found in The Rip-Off books and other studies. "There's one born every minute" is a statement that applies to con games as much as it does to their victims.

The development of frauds is not like the development of military weapons, with a see-saw back and forth between attack and defense. The con artists are always ahead of the game. The "good guys" are always many steps behind. The con artists which police and prosecutors catch and convict are only a small proportion of those operating.

No matter how many laws are passed, no matter how sophisticated citizens become, con men will always be with us unless we adopt truly severe punishments such as mandatory execution for the first offense. Probably even that won't keep some from trying their hands at it.

Con artists pose as law officers. They pose as doctors. Some are doctors. Some are or pretend to be clergymen. They adopt every guise and use every cover.

This leads to a paranoid attitude. It's unpleasant to have to suspect everyone, but reality forces us to suspect almost everyone. To people who understand this, paranoia is merely hard-core realism.